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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91154392
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confusion—survey evidence, evidence of actual confusion, and/or argument based on an inference arising from a judicial comparison of the conflicting marks themselves and the context of their use in the marketplace. *McCarthy*, § 23:63.

Under the third route, it would not be necessary for any witness to testify as to instances of actual confusion, for evidence of actual confusion is not necessary to prove a likelihood or probability of confusion. Thus, the decision-maker can decide the issue by inspection of the conflicting marks and their manner of use. As previously discussed, this is not a subjective judgment as to whether the judge, jury or Trademark Examiner would personally be confused, but rather, whether the ordinary, prudent customer in the marketplace would likely be confused. As Professor Perlman points out, in trademark litigation the persons whose states of mind are in issue are not parties to the case:

Trademark infringement turns on proof of the likely state of mind of a class of persons—consumers—in a particular context—when they are considering the purchase of goods or services. None of the relevant class is a party to the lawsuit. Consequently, there is no specific event or action to be proved by direct evidence; the likelihood that purchasers will be confused must ultimately rest on the inference to be drawn from circumstantial evidence.

Id.

Despite the presence of these forms of evidence, the district court relied only on the lack of direct evidence such as consumer surveys and did not focus on the mark itself. The court's exclusive use of direct evidence was improper considering the test used by this and other circuits to determine whether likelihood of confusion exists based on the evidence presented. Such evidence as that discounted by the district court—i.e., use of the same name, operating in same geographical area, etc.—may be sufficient when analyzed under the test factors noted, for example, in *Insty*Bit, Inc.*, *Duluth News-Tribune*, *Anheuser-Busch, Inc.*, and *First National Bank, Sioux Falls*. Here, however, the district court did not analyze the evidence under these factors. As such, on remand it will be necessary for the district court to evaluate both the direct and circum-

stantial evidence offered by the Bank with the understanding that circumstantial evidence alone can be sufficient to establish the elements of secondary meaning and likelihood of confusion in a claim for trademark infringement.

Virgin Enterprises Ltd. v. Nawab

U.S. Court of Appeals
Second Circuit

No. 02-7491

Decided July 11, 2003

TRADEMARKS AND UNFAIR TRADE PRACTICES

[1] Types of marks — Arbitrary or fanciful — Particular marks (§ 327.0803)

Infringement plaintiff's "Virgin" trademark is arbitrary and fanciful mark for sale of consumer electronic equipment, since word "virgin" has no intrinsic relationship whatsoever to selling such equipment, and consumer seeing "Virgin" used in two different stores selling same products is likely to assume that stores are related; mark is also famous, since it has been employed with worldwide recognition as mark for airline, and as mark for "megastores" selling music recordings and consumer electronic equipment.

[2] Acquisition, assignment, and maintenance of marks — Scope of trademark — As to goods/services (§ 305.0203)

Infringement; conflicts between marks — Likelihood of confusion — Relatedness of goods or services — Similar (§ 335.0305.03)

Finding that defendants are selling exclusively telephone products and services under "Virgin" trademark, and that plaintiff's "Virgin" electronic products do not include telephone products or related services, does not warrant conclusion that defendants must prevail on "proximity of goods" factor in likelihood of confusion analysis, since list of factors considered in such analysis was specially designed for case in which secondary user is not in direct competition with prior user, but is selling somewhat different product or ser-

vice, and since trademark owner therefore does not lose merely because it has not previously sold precise goods or services sold by secondary user; in present case, there is high degree of proximity between plaintiff's prior sales of consumer electronic audio equipment and defendants' subsequent sales of telephones and telephone services, and at time defendants began using "Virgin" mark for retail sales, plaintiff had plans to "bridge the gap" by marketing telephones and telephone services.

[3] Infringement; conflicts between marks — Likelihood of confusion — Particular marks — Confusion likely (§ 335.0304.03)

REMEDIES

Non-monetary and injunctive — Equitable relief — Preliminary injunctions — Trademarks and unfair trade practices (§ 505.0707.09)

Defendants' use of "Virgin" mark for telephones and telephone services is likely to cause confusion with plaintiff's "Virgin" trademark for consumer electronics, since plaintiff's mark is both inherently distinctive and famous, and thus is strong mark, since parties' marks are confusingly similar in view of fact that both consist of word "virgin," since parties' products are similar, and plaintiff is likely to "bridge the gap" between their products and services, and since plaintiff submitted evidence of actual confusion; plaintiff has therefore demonstrated likelihood of success on merits and irreparable harm as matter of law, and is entitled to preliminary injunction.

Appeal from the U.S. District Court for the Eastern District of New York, Sifton, J.

Action by Virgin Enterprises Ltd. against Tahir Nawab, Nathan Erlich, Simon Blitz, Daniel Gazal, Gerald Wren, Bob Wroblewski, Corporation Solutions LLC, Cel-Net Communication Inc., The Cellular Network Communication Group Inc. d/b/a CNCG, SD Telecommunications Inc., Virgin Wireless Inc., Iwaycity, and virginwireless.com for trademark infringement under Lanham Act's Section 32, 15 U.S.C. § 1114. Plaintiff appeals from denial of its motion for preliminary injunction. Reversed and remanded.

James W. Dabney, Catherine M. Clayton, and Melissa A. Antonecchia, of Pennie & Edmonds, New York, N.Y., for appellant.

Kevin J. Harrington and John C. Mascari, of Harrington, Ocko & Monk, White Plains, N.Y., for appellees.

Before Leval, Calabresi, and Pooler, circuit judges.

Leval, J.

Plaintiff Virgin Enterprises Limited ("VEL" or "plaintiff") appeals from the denial of its motion for a preliminary injunction. This suit, brought under § 32 of the Lanham Act, 15 U.S.C. § 1114 (1), alleges that defendants infringed plaintiff's rights in the registered mark VIRGIN by operating retail stores selling wireless telephones and related accessories and services under the trade name VIRGIN WIRELESS. The United States District Court for the Eastern District of New York (Sifton, J.) denied plaintiff's motion for a preliminary injunction, based upon its finding that plaintiff's registration did not cover the retail sale of wireless telephones and related products, and that plaintiff failed to show a likelihood of consumer confusion.

We find that the plaintiff is likely to succeed on the merits and was entitled to a preliminary injunction. We therefore reverse and remand with instructions to enter a preliminary injunction.¹

BACKGROUND

Plaintiff VEL, a corporation with its principal place of business in London, owns U.S. Registration No. 1,851,817 ("the 817 Registration"), filed on May 5, 1991, and registered on August 30, 1994, for the VIRGIN mark as applied to "retail store services in the fields of . . . computers and *electronic apparatus*" (emphasis added). Plaintiff filed an affidavit of continuing use, pursuant to 15 U.S.C. § 1058(a), on April 27, 2000, which averred that plaintiff had used the mark in connection with retail store services selling computers and electronic apparatus. Plaintiff also owns U.S. Registration No. 1,852,776 ("the 776 Registration"), filed on May 9, 1991, and registered on September 6, 1994, for a stylized version of the VIRGIN mark for use in con-

¹ Immediately following oral argument, we issued a summary order, opinion to follow, directing the district court to enter a preliminary injunction.

nection with "retail store services in the fields of . . . computers and electronic apparatus," and U.S. Registration No. 1,863,353 ("the 353 Registration"), filed on May 19, 1992, and registered on November 15, 1994, for the VIRGIN MEGASTORE mark. It is undisputed that these three registrations have become incontestable pursuant to 15 U.S.C. § 1065.

VEL, either directly or through corporate affiliates, operates various businesses worldwide under the trade name VIRGIN, including an airline, large-scale record stores called Virgin Megastores, and an internet information service. Plaintiff or its affiliates also market a variety of goods branded with the VIRGIN name, including music recordings, computer games, books, and luggage. Three of plaintiff's megastores are located in the New York area. According to an affidavit submitted to the district court in support of plaintiff's application for preliminary injunction, Virgin Megastores sell a variety of electronic apparatus, including video game systems, portable CD players, disposable cameras, and DVD players. These stores advertise in a variety of media, including radio.

Defendants Simon Blitz and Daniel Gazal are the sole shareholders of defendants Cel-Net Communications, Inc. ("Cel-Net"); The Cellular Network Communications, Inc., doing business as CNCG ("CNCG"); and SD Telecommunications, Inc. ("SD Telecom"). Blitz and Gazal formed Cel-Net in 1993 to sell retail wireless telephones and services in the New York area. Later, they formed CNCG to sell wireless phones and services on the wholesale level. CNCG now sells wireless phones and services to more than 400 independent wireless retailers. In 1998, Cel-Net received permission from New York State regulators to resell telephone services within the state.

Around 1999, Andrew Kastein, a vice-president of CNCG, began to develop a Cel-Net brand of wireless telecommunications products. In early 1999, Cel-Net entered into negotiations with the Sprint PCS network to provide telecommunications services for resale by Cel-Net. In August 1999, Cel-Net retained the law firm Pennie & Edmonds to determine the availability of possible service marks for Cel-Net. Pennie & Edmonds associate Elizabeth Langston researched for Kastein a list of possible service marks;

among the marks Cel-Net asked to have researched was VIRGIN. Defendants claim that Langston told Cel-Net officer Simon Corney that VIRGIN was available for use in the telecommunications field. Plaintiff disputed this, offering an affidavit from Langston that she informed defendants that she would not search the VIRGIN mark because her firm represented plaintiff.²

According to defendants, in December 1999, Cel-Net retained Corporate Solutions, LLC and its principals Nathan Erlich and Tahir Nawab as joint venture partners to help raise capital to launch Cel-Net's wireless telephone service. On December 2, 1999, Erlich and Nawab filed four intent-to-use applications with the U.S. Patent and Trademark Office ("PTO") to register the marks VIRGIN WIRELESS, VIRGIN MOBILE, VIRGIN COMMUNICATIONS, and VIRGIN NET in the field of telecommunications services, class 38. On December 24, 1999, Corporate Solutions incorporated defendant Virgin Wireless, Inc. ("VWI") and licensed to VWI the right to use the marks VIRGIN WIRELESS and VIRGIN MOBILE. Meanwhile, one of plaintiff's affiliates had begun to offer wireless telecommunication services bearing the VIRGIN mark in the United Kingdom. A press release dated November 19, 1999, found on plaintiff's website, stated that its Virgin Mobile wireless services were operable in the United States.

On June 23, 2000, defendant Blitz signed a lease under the name Virgin Wireless for a kiosk location in South Shore Mall in Long Island from which to re-sell AT&T wireless services, telephones, and accessories under the retail name Virgin Wireless. Defendants Cel-Net and VWI later expanded their telecommunications re-sale operations to include two retail stores and four additional retail kiosks in malls in the New York area and in Pennsylvania. All of these stores have been run by VWI under the trade name VIRGIN WIRELESS. VWI also has leases and bank accounts in its name, and has shown evidence of actual retail transactions and newspaper advertisements.

² Because of Pennie & Edmonds's involvement in searching marks for defendants, and because of the factual dispute about whether plaintiff's counsel searched the VIRGIN mark for defendants, defendants sought in the district court to have Pennie & Edmonds disqualified from representing plaintiff. The district court denied this motion on March 13, 2002.

In August 2000, plaintiff licensed Virgin Mobile USA, LLC, to use the VIRGIN mark for wireless telecommunications services in the United States. On August 10, 2000, plaintiff filed an intent-to-use application with the PTO for use of the VIRGIN mark in the United States on telecommunications services and mobile telephones. On October 11, 2001, the PTO suspended this mark's registration in international class 9, which covers wireless telephones, and class 38, which covers telecommunications services, because the VIRGIN mark was already reserved by a prior filing, presumably defendants'. On August 16, 2001, plaintiff filed another intent-to-use application for the mark VIRGIN MOBILE to brand telecommunications services. The PTO issued a non-final action letter for both of plaintiff's pending new registrations on October 31, 2001, which stated that defendant Corporation Solutions' pending applications for similar marks in the same class could give rise to "a likelihood of confusion." The PTO suspended action on plaintiff's application pending the processing of Corporation Solutions' applications.

In October 2001, plaintiff issued a press release announcing that it was offering wireless telecommunications services and mobile telephones in the United States.

Plaintiff became aware of Corporation Solutions' application for registration of the VIRGIN WIRELESS and VIRGIN MOBILE marks by May 2000. In October 2001 and December 2001, defendant VWI filed suits against plaintiff in the federal district courts in Arizona and Delaware, alleging that plaintiff was using VWI's mark. Plaintiff maintains (and the district court found) that it learned in January 2002 that VWI and Cel-Net were operating kiosks under the VIRGIN WIRELESS name and two days later filed the present suit seeking to enjoin defendants from selling mobile phones in VIRGIN-branded retail stores.

On May 2, 2002, the district court considered plaintiff's application for a preliminary injunction. It found that no essential facts were in dispute, and therefore no evidentiary hearing was required. It was uncontested (and the district court accordingly found) that plaintiff sold "electronic apparatus" in its stores, including "various video game systems, portable cassette tape, compact disc, mp3, and mini disc players, portable radios, and disposable cameras," but not including

telephones or telephone service, and that the only products the defendants sold in their stores were wireless telephones, telephone accessories, and wireless telephone services.

Noting that a party seeking a preliminary injunction must show the probability of irreparable harm in the absence of relief, and either (1) likelihood of success on the merits or (2) serious questions going to the merits and a balance of hardships tipping decidedly in its favor, the court found that plaintiff had failed to satisfy either standard. Arguing against plaintiff's likelihood of success, the court noted that plaintiff's registrations did not claim use of the VIRGIN mark "in telecommunications services or in the associated retail sale of wireless telephones and accessories." While plaintiff's 817 and 776 Registrations covered the retail sale of "computers and electronic apparatus," they did not extend to telecommunications services and wireless phones.

The court noted that the defendants were the first to use the VIRGIN mark in telecommunications, and the first to attempt to register VIRGIN for telecommunications and retail telephone sales. The court also observed that the dissimilarity in appearance of plaintiff's and defendants' logos and the differences between plaintiff's huge Virgin Megastores and defendants' small retail outlets in malls diminished likelihood of consumer confusion. Finally, because the defendants had expended substantial resources in pursuing their trademark applications and in establishing their retail presence, the court found that plaintiff could not demonstrate that the balance of hardships tipped in its favor.

The court denied the application for preliminary injunction. The crux of the court's decision lay in the facts that plaintiff's prior use and registration of the VIRGIN mark in connection with the sale of consumer electronic equipment did not include the sale of telephones or telephone services, and that defendants were the first to register and use VIRGIN for telephones and wireless telephone service. This appeal followed.

DISCUSSION

I.

As the court below correctly noted, in order to obtain a preliminary injunction, a party must demonstrate probability of irreparable

harm in the absence of injunctive relief, and either a likelihood that it will succeed on the merits of its claim, or a serious question going to the merits and a balance of hardships tipping decidedly in its favor. See *Jackson Dairy, Inc. v. H.P. Hood & Sons, Inc.*, 596 F.2d 70, 72 (2d Cir. 1979) (*per curiam*); *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1038 [24 USPQ2d 1161] (2d Cir. 1992). We review the court's denial of a preliminary injunction for abuse of discretion. *Bristol-Myers*, 973 F.2d at 1038.

In an action for trademark infringement, where a mark merits protection, a showing that a significant number of consumers are likely to be confused about the source of the goods identified by the allegedly infringing mark is generally sufficient to demonstrate both irreparable harm and a likelihood of success on the merits. *Bristol-Myers*, 973 F.2d at 1038; *W. Publ'g Co. v. Rose Art Indus., Inc.*, 910 F.2d 57, 59 [15 USPQ2d 1545] (2d Cir. 1990). Thus, our inquiry must be whether the district court correctly determined that the plaintiff was not entitled to protection from use of its mark by others in the sale of wireless telephones and related services, and that there was no likelihood that, in the absence of a preliminary injunction, a significant number of consumers would be confused about the sponsorship of defendants' retail stores. For the reasons discussed below, we find that the mark is entitled to protection, and there is a significant likelihood of confusion. We reverse and remand.

II.

A claim of trademark infringement, whether brought under 15 U.S.C. § 1114(1) (for infringement of a registered mark) or 15 U.S.C. § 1125(a) (for infringement of rights in a mark acquired by use), is analyzed under the familiar two-prong test described in *Gruner + Jahr USA Publ'g v. Meredith Corp.*, 991 F.2d 1072 [26 USPQ2d 1583] (2d Cir. 1993). See *Time, Inc. v. Petersen Publ'g Co. L.L.C.*, 173 F.3d 113, 117 [50 USPQ2d 1474] (2d Cir. 1999) (noting that *Gruner* test is applicable to claims brought under § 1114(1) and § 1125(a)). The test looks first to whether the plaintiff's mark is entitled to protection, and second to whether defendant's use of the mark is likely to cause consumers confusion as to the origin or sponsorship of the defendant's goods. *Gruner*, 991 F.2d at 1074. Examining the question as the test dictates, we have no doubt

that plaintiff was entitled to a preliminary injunction.

We believe the district court accorded plaintiff too narrow a scope of protection for its famous, arbitrary, and distinctive mark. There could be no dispute that plaintiff prevailed as to the first prong of the test — prior use and ownership. For years, plaintiff had used the VIRGIN mark on huge, famous stores selling, in addition to music recordings, a variety of consumer electronic equipment. At the time the defendants began using VIRGIN, plaintiff owned rights in the mark. The focus of inquiry thus turns to the second prong of the test — whether defendants' use of VIRGIN as a mark for stores selling wireless telephone services and phones was likely to cause confusion. There can be little doubt that such confusion was likely.

The landmark case of *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 [128 USPQ 411] (2d Cir. 1961) (Friendly, J.), outlined a series of nonexclusive factors likely to be pertinent in addressing the issue of likelihood of confusion, which are routinely followed in such cases. See, e.g., *Streetwise Maps, Inc. v. Vandam, Inc.*, 159 F.3d 739, 743-46 [48 USPQ2d 1503] (2d Cir. 1998); *Arrow Fastener Co. v. Stanley Works*, 59 F.3d 384, 391-99 [35 USPQ2d 1449] (2d Cir. 1995); *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 256-60 [2 USPQ2d 1677] (2d Cir. 1987).

Six of the *Polaroid* factors relate directly to the likelihood of consumer confusion. These are the strength of the plaintiff's mark; the similarity of defendants' mark to plaintiff's; the proximity of the products sold under defendants' mark to those sold under plaintiff's; where the products are different, the likelihood that plaintiff will bridge the gap by selling the products being sold by defendants; the existence of actual confusion among consumers; and the sophistication of consumers. Of these six, all but the last (which was found by the district court to be neutral) strongly favor the plaintiff. The remaining two *Polaroid* factors, defendants' good or bad faith and the quality of defendants' products, are more pertinent to issues other than likelihood of confusion, such as harm to plaintiff's reputation and choice of remedy. We conclude that the *Polaroid* factors powerfully support plaintiff's position.

Strength of the mark. The strength of a trademark encompasses two different concepts, both of which relate significantly to likelihood of consumer confusion. The first and most important is inherent strength, also called "inherent distinctiveness." This inquiry distinguishes between, on the one hand, inherently distinctive marks – marks that are arbitrary or fanciful in relation to the products (or services) on which they are used – and, on the other hand, marks that are generic, descriptive or suggestive as to those goods. The former are the strong marks. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 [189 USPQ 759] (2d Cir. 1976). The second sense of the concept of strength of a mark is "acquired distinctiveness," i.e., fame, or the extent to which prominent use of the mark in commerce has resulted in a high degree of consumer recognition. See *TCPIP Holding Co. v. Haar Communications Inc.*, 244 F.3d 88, 100 [57 USPQ2d 1969] (2d Cir. 2001) (describing these two concepts of strength); *Streetwise Maps*, 159 F.3d at 743.

Considering first *inherent distinctiveness*, the law accords broad, muscular protection to marks that are arbitrary or fanciful in relation to the products on which they are used, and lesser protection, or no protection at all, to marks consisting of words that identify or describe the goods or their attributes. The reasons for the distinction arise from two aspects of market efficiency. The paramount objective of the trademark law is to avoid confusion in the marketplace. The purpose for which the trademark law accords merchants the exclusive right to the use of a name or symbol in their area or commerce is *identification*, so that the merchants can establish goodwill for their goods based on past satisfactory performance, and the consuming public can rely on a mark as a guarantee that the goods or services so marked come from the merchant who has been found to be satisfactory in the past. See *Estee Lauder Inc. v. The Gap, Inc.*, 108 F.3d 1503, 1510 [42 USPQ2d 1228] (2d Cir. 1997) (quoting *Restatement (Third) of Unfair Competition* § 21 comment i (1995)); *Power Test Petroleum Distribs., Inc. v. Calcu Gas, Inc.*, 754 F.2d 91, 97 [225 USPQ 368] (2d Cir. 1985); *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1131 [202 USPQ 81] (2d Cir. 1979). At the same time, efficiency and the public interest require that every merchant trading in a class of goods be permitted to re-

fer to the goods by their name, and to make claims about their quality. Thus, a merchant who sells pencils under the trademark *Pencil* or *Clear Mark*, for example, and seeks to exclude other sellers of pencils from using those words in their trade, is seeking an advantage the trademark law does not intend to offer. To grant such exclusivity would deprive the consuming public of the useful market information it receives where every seller of pencils is free to call them pencils. *Abercrombie*, 537 F.2d at 9; *CES Publ'g Corp. v. St. Regis Publ'ns, Inc.*, 531 F.2d 11, 13 [188 USPQ 612] (2d Cir. 1975). The trademark right does not protect the exclusive right to an advertising message – only the exclusive right to an identifier, to protect against confusion in the marketplace. Thus, as a matter of policy, the trademark law accords broader protection to marks that serve exclusively as identifiers and lesser protection where a grant of exclusiveness would tend to diminish the access of others to the full range of discourse relating to their goods. See *TCPIP*, 244 F.3d at 100; *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 215 [51 USPQ2d 1882] (2d Cir. 1999); *Otokoyama Co. Ltd. v. Wine of Japan Import, Inc.*, 175 F.3d 266, 270 [50 USPQ2d 1626] (2d Cir. 1999).

The second aspect of efficiency that justifies according broader protection to marks that are inherently distinctive relates directly to the likelihood of confusion. If a mark is arbitrary or fanciful, and makes no reference to the nature of the goods it designates, consumers who see the mark on different objects offered in the marketplace will be likely to assume, because of the arbitrariness of the choice of mark, that they all come from the same source. For example, if consumers become familiar with a toothpaste sold under an unusual, arbitrary brand name, such as *ZzaaqQ*, and later see that same inherently distinctive brand name appearing on a different product, they are likely to assume, notwithstanding the product difference, that the second product comes from the same producer as the first. The more unusual, arbitrary, and fanciful a trade name, the more unlikely it is that two independent entities would have chosen it. In contrast, every seller of foods has an interest in calling its product "delicious." Consumers who see the word *delicious* used on two or more different food products are less likely to draw the inference that they must all come

from the same producer. Cf. *Streetwise Maps*, 159 F.3d at 744 (noting that several map producers use "street" in product names; thus plaintiff's mark using "street" was not particularly distinctive); *W. Publ'g*, 910 F.2d at 61 (noting numerous registrations of marks using word "golden"). In short, the more distinctive the mark, the greater the likelihood that the public, seeing it used a second time, will assume that the second use comes from the same source as the first. The goal of avoiding consumer confusion thus dictates that the inherently distinctive, arbitrary, or fanciful marks, i.e., strong marks, receive broader protection than weak marks, those that are descriptive or suggestive of the products on which they are used. See *Abercrombie*, 537 F.2d at 9-11; *TCPIP*, 244 F.3d at 100-01.

The second sense of trademark strength, fame, or "acquired distinctiveness," also bears on consumer confusion. See *TCPIP*, 244 F.3d at 100-01; *Streetwise Maps*, 159 F.3d at 744. If a mark has been long, prominently and notoriously used in commerce, there is a high likelihood that consumers will recognize it from its prior use. Widespread consumer recognition of a mark previously used in commerce increases the likelihood that consumers will assume it identifies the previously familiar user, and therefore increases the likelihood of consumer confusion if the new user is in fact not related to the first. See *Nabisco*, 191 F.3d at 216-17. A mark's fame also gives unscrupulous traders an incentive to seek to create consumer confusion by associating themselves in consumers' minds with a famous mark. The added likelihood of consumer confusion resulting from a second user's use of a famous mark gives reason for according such a famous mark a broader scope of protection, at least when it is also inherently distinctive. See *McGregor*, 599 F.2d at 1132 (noting that secondary meaning may further enlarge the scope of protection accorded to inherently distinctive marks).

[1] Plaintiff's VIRGIN mark undoubtedly scored high on both concepts of strength. In relation to the sale of consumer electronic equipment, the VIRGIN mark is inherently distinctive, in that it is arbitrary and fanciful; the word "virgin" has no intrinsic relationship whatsoever to selling such equipment. Because there is no intrinsic reason for a merchant to use the word "virgin" in the sale of consumer electronic equipment, a consumer

seeing VIRGIN used in two different stores selling such equipment will likely assume that the stores are related.

Plaintiff's VIRGIN mark was also famous. The mark had been employed with worldwide recognition as the mark of an airline and as the mark for megastores selling music recordings and consumer electronic equipment. The fame of the mark increased the likelihood that consumers seeing defendants' shops selling telephones under the mark VIRGIN would assume incorrectly that defendants' shops were a part of plaintiff's organization. See *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 873 [230 USPQ 831] (2d Cir. 1986).

There can be no doubt that plaintiff's VIRGIN mark, as used on consumer electronic equipment, is a strong mark, as the district court found. It is entitled as such to a broad scope of protection, precisely because the use of the mark by others in connection with stores selling reasonably closely related merchandise would inevitably have a high likelihood of causing consumer confusion.

Similarity of marks. When the secondary user's mark is not identical but merely similar to the plaintiff's mark, it is important to assess the degree of similarity between them in assessing the likelihood that consumers will be confused. See *McGregor*, 599 F.2d at 1133. Plaintiff's and defendants' marks were not merely similar; they were identical to the extent that both consisted of the same word, "virgin."

The district court believed this factor did not favor plaintiff because it found some differences in appearance. Defendants' logo used a difference typeface and different colors from plaintiff's. While those are indeed differences, they are quite minor in relation to the fact that the name being used as a trademark was the same in each case.

Advertisement and consumer experience of a mark do not necessarily transmit all of the mark's features. Plaintiff, for example, advertised its Virgin Megastores on the radio. A consumer who heard those advertisements and then saw the defendants' installation using the name VIRGIN would have no way of knowing that the two trademarks looked different. See *Sports Auth., Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 962 [39 USPQ2d 1511] (2d Cir. 1996). A consumer who had visited one of plaintiff's Virgin Megastores and re-

membered the name would not necessarily remember the typeface and color of plaintiff's mark. The reputation of a mark also spreads by word of mouth among consumers. One consumer who hears from others about their experience with Virgin stores and then encounters defendants' Virgin store will have no way knowing of the differences in typeface. See *Hills Bros. Coffee, Inc. v. Hills Supermarkets, Inc.*, 428 F.2d 379, 381 [166 USPQ 2] (2d Cir. 1970) (*per curiam*).

In view of the fact that defendants used the same name as plaintiff, we conclude the defendants' mark was sufficiently similar to plaintiff's to increase the likelihood of confusion. This factor favored the plaintiff as a matter of law. We conclude that the district court erred in concluding otherwise on the basis of comparatively trivial and often irrelevant differences.

Proximity of the products and likelihood of bridging the gap. The next factor is the proximity of the products being sold by plaintiff and defendant under identical (or similar) marks. See *Arrow Fastener*, 59 F.3d at 396. This factor has an obvious bearing on the likelihood of confusion. When the two users of a mark are operating in completely different areas of commerce, consumers are less likely to assume that their similarly branded products come from the same source. In contrast, the closer the secondary user's goods are to those the consumer has seen marketed under the prior user's brand, the more likely that the consumer will mistakenly assume a common source. See *Cadbury Beverages, Inc. v. Cott Corp.*, 73 F.3d 474, 480-81 [37 USPQ2d 1508] (2d Cir. 1996).

While plaintiff had not sold telephones or telephone service prior to defendant's registration evincing intent to sell those items, plaintiff had sold quite similar items of consumer electronic equipment. These included computer video game systems, portable cassette-tape players, compact disc players, MP3 players, mini-disc players, and disposable cameras. Like telephones, many of these are small consumer electronic gadgets making use of computerized audio communication. They are sold in the same channels of commerce. Consumers would have a high expectation of finding telephones, portable CD players, and computerized video game systems in the same stores. We think the proximity in commerce of telephones to CD players substantially ad-

vanced the risk that consumer confusion would occur when both were sold by different merchants under the same trade name, VIRGIN.

Our classic *Polaroid* test further protects a trademark owner by examining the likelihood that, even if the plaintiff's products were not so close to the defendants' when the defendant began to market them, there was already a likelihood that plaintiff would in the reasonably near future begin selling those products. See *Cadbury Beverages*, 73 F.3d at 482. VEL's claim of proximity was further strengthened in this regard because, as the district court expressly found, "plans had been formulated [for VEL] to enter [the market for telecommunications products and services] shortly in the future." VEL had already begun marketing telephone service in England which would operate in the United States, and, as the district court found, had made plans to sell telephones and wireless telephone service under the VIRGIN name from its retail stores.

The district court, nonetheless, found in favor of the defendants with respect to the proximity of products and services. We would ordinarily give considerable deference to a factual finding on this issue. Here, however, we cannot do so because it appears the district court applied the wrong test. The court did not assess the *proximity* of defendants' VIRGIN-branded retail stores selling telephone products to plaintiff's VIRGIN-branded retail stores selling other consumer electronic products. It simply concluded that, because defendants were selling exclusively telephone products and services, and plaintiff's electronic products did not include telephones or related services, the defendants must prevail as to the proximity factor.

[2] This represents a considerable misunderstanding of the *Polaroid* test. The famous list of factors of likely pertinence in assessing likelihood of confusion in *Polaroid* was specially designed for a case like this one, in which the secondary user is not in direct competition with the prior user, but is selling a somewhat different product or service. In *Polaroid*, the plaintiff sold optical and camera equipment, while the defendant sold electronic apparatus. The test the court discussed was expressly addressed to the problem "how far a valid trademark shall be protected with respect to goods *other than those to which its owner has applied it.*" 287 F.2d at 495 (em-

phasis added); see also *Arrow Fastener*, 59 F.3d at 396 (noting that products need not actually compete with each other). The very fact that the test includes the "proximity" between the defendant's products and the plaintiff's and the likelihood that the plaintiff will "bridge the gap" makes clear that the trademark owner does not lose, as the district court concluded, merely because it has not previously sold the precise good or service sold by the secondary user.

In our view, had the district court employed the proper test of proximity, it could not have failed to find a high degree of proximity as between plaintiff VEL's prior sales of consumer electronic audio equipment and defendants' subsequent sales of telephones and telephone services, which proximity would certainly contribute to likelihood of consumer confusion. And plaintiff was all the more entitled to a finding in its favor in respect of these matters by virtue of the fact, which the district court *did* find, that at the time defendants began using the VIRGIN mark in the retail sale of telephones and telephone services, plaintiff already had plans to bridge the gap by expanding its sales of consumer electronic equipment to include sales of those very goods and services in the near future. Consumer confusion was more than likely; it was virtually inevitable.

Actual confusion. It is self-evident that the existence of actual consumer confusion indicates a likelihood of consumer confusion. *Nabisco*, 191 F.3d at 228. We have therefore deemed evidence of actual confusion "particularly relevant" to the inquiry. *Streetwise Maps*, 159 F.3d at 745.

Plaintiff submitted to the district court an affidavit of a former employee of defendant Cel-Net, who worked at a mall kiosk branded as Virgin Wireless, which stated that individuals used to ask him if the kiosk was affiliated with plaintiff's VIRGIN stores. The district court correctly concluded that this evidence weighed in plaintiff's favor.

Sophistication of consumers. The degree of sophistication of consumers can have an important bearing on likelihood of confusion. Where the purchasers of a product are highly trained professionals, they know the market and are less likely than untrained consumers to be misled or confused by the similarity of different marks. The district court recognized that "[r]etail customers, such as the ones ca-

tered to by both the defendants and [plaintiff], are not expected to exercise the same degree of care as professional buyers, who are expected to have greater powers of discrimination." On the other hand, it observed that purchasers of cellular telephones and the service plans were likely to give greater care than self-service customers in a supermarket. Noting that neither side had submitted evidence on the sophistication of consumers, the court made no finding favoring either side. We agree that the sophistication factor is neutral in this case.

Bad faith and the quality of the defendants' services or products. Two factors remain of the conventional *Polaroid* test: the existence of bad faith on the part of the secondary user and the quality of the secondary user's products or services. *Polaroid*, 287 F.2d at 495. Neither factor is of high relevance to the issue of likelihood of confusion. A finding that a party acted in bad faith can affect the court's choice of remedy or can tip the balance where questions are close. It does not bear directly on whether consumers are likely to be confused. See *TCPIP*, 244 F.3d at 102. The district court noted some evidence of bad faith on the defendants' part, but because the evidence on the issue was scant and equivocal, the court concluded that such a finding "at this stage [would be] speculative." The court therefore found that this factor favored neither party.

The issue of the quality of the secondary user's product goes more to the harm that confusion can cause the plaintiff's mark and reputation than to the likelihood of confusion. See *Arrow Fastener*, 59 F.3d at 398 (noting that first user's reputation may be harmed if secondary user's goods are of poor quality). In any event, the district court found this factor to be "neutral" with respect to likelihood of confusion.

* * *

[3] In summary we conclude that of the six *Polaroid* factors that pertain directly to the likelihood of consumer confusion, all but one favor the plaintiff, and that one – sophistication of consumers – is neutral. The plaintiff is strongly favored by the strength of its mark, both inherent and acquired; the similarity of the marks; the proximity of the products and services; the likelihood that plaintiff would bridge the gap; and the existence of actual confusion. None of the factors favors the de-

fendant. The remaining factors were found to be neutral. Although we do not suggest that likelihood of confusion may be properly determined simply by the number of factors in one party's favor, the overall assessment in this case in our view admits only of a finding in plaintiff's favor that defendants' sale of telephones and telephone-related services under the VIRGIN mark was likely to cause substantial consumer confusion.

One issue remains. Defendants argue that plaintiff should be barred by laches from seeking injunctive relief. They contend that because of plaintiff's delay after learning of the defendants' applications to register the VIRGIN marks, they expended considerable sums and developed goodwill in their use of the VIRGIN marks before plaintiff brought suit. Because the district court ruled in the defendants' favor it made no express finding on the issue of laches. But the district court explicitly found that plaintiff first learned of defendants' use of the name VIRGIN in commerce only two days before plaintiff instituted this suit. Given that finding, plaintiff could not be chargeable with laches.

We conclude that, as a matter of law, plaintiff demonstrated irreparable harm and likelihood of success on the merits and was entitled to a preliminary injunction.

CONCLUSION

REVERSED and REMANDED.

Andreas v. Volkswagen of America Inc.

U.S. Court of Appeals
Eighth Circuit

Nos. 02-2309, 02-2420

Decided July 21, 2003

JUDICIAL PRACTICE AND PROCEDURE

[1] Procedure — New trial; JMOL (§ 410.30)

Federal district court properly determined that copyright infringement defendants' motion for judgment as matter of law under Fed. R. Civ. P. 50(b) met requirements of Fed. R. Civ. P. 7, which states that motions "shall state with particularity the grounds therefor,"

since district court rightly looked to defendants' pleadings supporting their prior motion for JMOL under Rule 50(a) in determining that subsequent Rule 50(b) motion was sufficiently particular, and since Rule 50(b) motion referred to plaintiffs' "claim for profits," which sufficiently alerted plaintiffs and district court to particular issues from Rule 50(a) motion that defendants were raising in their renewal motion.

[2] Procedure — Burden of proof (§ 410.35)

REMEDIES

Monetary — Damages — Copyrights — Profits (§ 510.0509.05)

Proffered evidence of connection between infringing use of plaintiff's copyrighted text in car commercial and defendant's revenues from sale of "TT Coupe" model advertised in commercial established sufficient nexus to support jury's award of indirect profits, since defendant's infringement was centerpiece of commercial that essentially showed nothing but "TT Coupe," since evidence shows that defendant enthusiastically presented commercial to its dealers as important and integral launch of that model, that sales of "TT Coupe" during period commercial aired were above defendant's projections, that commercial received high ratings in surveys, and that defendant paid advertising agency substantial bonus based on success of commercial, and since jury therefore had sufficient circumstantial evidence to find that commercial contributed to profitable introduction of "TT Coupe"; having established such nexus, plaintiff was required only to establish gross revenue from "TT Coupe," and defendant then bore burden of showing that its profit was attributable to factors other than infringing text.

[3] Monetary — Damages — Copyrights — Profits (§ 510.0509.05)

Jury's award of \$570,000 in indirect profits for defendant's infringing use of plaintiff's copyrighted text in car commercial was not overly speculative, since jury awarded 10 percent of profit generated by sale of "TT Coupe" model advertised in commercial during time period that commercial aired, and therefore impliedly found that 90 percent of defendant's profit was attributable to factors

**VIRGIN ENTERPRISES LIMITED, Plaintiff, vs. VIRGIN PETROLEUM, INC.,
Defendant.**

CASE NO. CV 99-12826 MMM (MANx)

**UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF
CALIFORNIA**

2000 U.S. Dist. LEXIS 8100

**January 19, 2000, Decided
January 27, 2000, Filed; January 31, 2000, Entered, Entered in Docket**

DISPOSITION: [*1] VEL's motion for a preliminary injunction granted.

LexisNexis (TM) HEADNOTES- Core Concepts:

COUNSEL: For VIRGIN ENTERPRISES LIMITED, plaintiff: James W Dabney, Catherine M Clayton, Pennie & Edmonds, New York, NY.

For VIRGIN ENTERPRISES LIMITED, plaintiff: Richard J Coddington, Howrey Simon Arnold & White, Los Angeles, CA.

For VIRGIN PETROLEUM INC, defendant: Herbert Abrams, Herbert Abrams Law Offices, North Hollywood, CA.

JUDGES: MARGARET M. MORROW, UNITED STATES DISTRICT JUDGE.

OPINIONBY: MARGARET M. MORROW

OPINION:

**ORDER RE PLAINTIFF'S APPLICATION FOR
PRELIMINARY INJUNCTION**

Plaintiff Virgin Enterprises Limited ("VEL") and its related companies (collectively, the "Virgin Group") operate various worldwide businesses, including an airline, a travel-related company, a limousine service, a soft drink bottler and distributor, and a chain of retail stores that sell CDs, books, clothing, and other products and services. The VIRGIN trademark and service mark are protected under approximately 956 issued registrations in 114 countries, including 12 registrations issued by the United States Patent and Trademark Office ("PTO"). Defendant Virgin Petroleum, Inc. is a corporation that operates a gasoline station located at 1430 E. Pacific Coast Highway

[*2] in Wilmington, California.

On October 12, 1999, VEL received an unsolicited e-mail from a person who noticed Virgin Petroleum's gasoline station while driving in Wilmington. The individual believed that the Virgin Petroleum logo was actually the VIRGIN mark owned by VEL, and thus associated the gas station with VEL. After examining the logo more closely, he concluded that there was no relationship, but advised VEL that he thought defendant's mark would generate confusion among consumers. Shortly after being contacted by this individual, VEL sent letters to Virgin Petroleum demanding that it cease and desist from further use of the VIRGIN name and logo.

On December 7, 1999, VEL filed suit alleging trademark and trade name infringement, dilution, unfair competition and unfair business practices. By its present application, VEL seeks a preliminary injunction enjoining defendant from using the VIRGIN trademark or any confusingly similar variant thereof, in or as any designation for any business, gasoline, gasoline station services, or any related goods or services sold by defendant.

The court may issue a preliminary injunction if the moving party establishes either (1) a combination [*3] of probable success on the merits and the possibility of irreparable harm or (2) the existence of serious questions going to the merits, a demonstration that there is at least a fair chance the movant will prevail, and a balance of hardships that tips sharply in the movant's favor. In order to prevail on its trademark infringement claim, VEL must prove that it has a protectable trademark and that Virgin Petroleum's use of the same or a similar mark is likely to cause confusion in the minds of the relevant consuming public.

VEL's federal registration of the VIRGIN mark is prima facie evidence that it has protectable rights in the trademark. VEL has also shown that it will probably prove

Virgin Petroleum's use of the mark is likely to cause confusion in the minds of the consuming public. In evaluating the likelihood of confusion, courts consider the strength of the mark; the proximity or relatedness of the services; the similarity in appearance, sound, and meaning of the marks; evidence of actual confusion; the degree to which the same marketing channels are used; the type of goods and degree of care customers are likely to exercise in purchasing them; evidence of the defendant's intention [*4] in selecting and using the allegedly infringing name; and the likelihood that the parties will expand their product lines.

Here, the VIRGIN mark is arbitrary and strong, and defendant's mark is strikingly similar to it. While the parties' services and products are not directly related, there is some relation between them, as VEL offers transportation via air and limousine, and Virgin Petroleum's gasoline station can be said to be transportation-related. Given the diversity of the businesses run by the Virgin Group under the VIRGIN mark, and the fact that defendant's sign is nearly identical to the VIRGIN mark, it is especially likely that consumers will believe defendant's gasoline station is sponsored or approved by VEL in some manner. This conclusion is reinforced by the unsolicited e-mail that put VEL on notice of defendant's operation, which is itself evidence of actual confusion in the marketplace. Likelihood of confusion is also probable because consumers will exercise minimal care in deciding whether to buy defendant's gasoline. The product itself is relatively inexpensive, and drivers have little time after seeing defendant's "Virgin" sign to decide whether to pull into the [*5] station or drive by it.

On the record before the court, Virgin Petroleum's intent in selecting the mark is a neutral factor because of the conflicting evidence offered by the parties, while the two remaining factors — marketing channels and the prospects for product line expansion — weigh against a finding of likelihood of confusion. Application of the likelihood of confusion factors is a case-specific inquiry, however, and these factors are of minimal importance in this case. Consequently, the court concludes that VEL has demonstrated it will probably prove a likelihood of consumer confusion. This being so, irreparable harm is presumed, and VEL's motion for a preliminary injunction is properly granted.

I. FACTUAL BACKGROUND

A. Virgin Enterprises

The Virgin Group operates a number of worldwide businesses under the trade name, trademark, and service mark VIRGIN(R). n1 The VIRGIN(R) trademark and service mark are protected by approximately 956 issued

registrations in 114 countries worldwide, including 12 registrations by the PTO in this country. n2

n1 See Declaration of Rory J. Richardson ("Richardson Decl."). P 2, Exs. 1-2; Second Declaration of James W. Dabney in Support of Plaintiff's Motion for Preliminary Injunction ("Second Dabney Decl."), P 2, Ex. 7.

[*6]

n2 Richardson Decl., P 3, Ex. 3.

One of VEL's licensee's, Virgin Retail (BVI) Limited ("Virgin Retail"), owns and operates a chain of approximately 150 VIRGIN MEGASTORE(R) retail stores in major cities throughout the United States, Canada, the United Kingdom, continental Europe, and Japan. n3 Six of these stores are located in the California cities of Los Angeles, San Francisco, Orange, Burbank, Costa Mesa and Sacramento. n4 The VIRGIN MEGASTORE(R) stores sell various VIRGIN(R) branded goods and services, including CD's, clothing, books, computer games, travel-related services, and other items. n5 The stores often have a cafe that sells food and non-alcoholic drinks including VIRGIN(R) cola. n6

n3 *Id.*, P 6.

n4 *Id.*

n5 *Id.*, P 6. Second Dabney Decl., PP 4-10, Exs. 9-15.

n6 Richardson Decl., P 6.

VIRGIN(R) cola is a soft drink bottled and distributed under the authority of VEL's licensee, the Virgin [*7] Cola Company (USA), Inc., and is available at Von's grocery stores and other retail outlets in the Los Angeles area. n7

n7 Second Dabney Decl., P 17.

Another VEL licensee, Virgin Atlantic Airways, Ltd. ("VAA"), provides airline service to and from various U.S. cities, including Los Angeles. n8 Passengers on VIRGIN(R) flights receive various VIRGIN(R) branded products, and the VIRGIN(R) duty free catalog offers VIRGIN(R) toys, VIRGIN(R) clocks, VIRGIN(R) pens, VIRGIN(R) playing cards, VIRGIN(R) sweatshirts, VIRGIN(R) T-shirts, VIRGIN(R) hats, VIRGIN(R) wrist watches, and other VIRGIN(R) branded merchandise. n9

"virgin" and "oil." n16

n8 Richardson Decl., P 5.

n14 Declaration of Ambartsum Telalyan ("Telalyan Decl."), P 3; Complaint, P 16.

n9 Second Dabney Decl., PP 11-14, Exs. 16-20.

n15 Telalyan Decl., P 2, Ex. A.

n16 *Id.*, P 4.

Virgin Limousines (California) LLC ("Virgin Limousine") is a VEL licensee that provides limousine service to passengers in California. n10

n10 *Id.*, P 16, Ex. 21.

[*8]

Thus, the VIRGIN(R) mark is used extensively, and has been recognized as a famous brand. In 1992, for example, Interbrand identified VIRGIN(R) as one of the "world's greatest brands," stating that the "Virgin brand is now established as a broadly based entertainment and travel brand with a dependable but nonetheless somewhat 'fun' and irreverent image." n11 In 1995, the publication, *Advertising Age*, identified the mark as one of "twenty-five rising international brands." n12

n11 *Id.*, Ex. 27, at 259.

n12 *Id.*, Ex. 37.

Virgin Group companies typically use a stylized version of the VIRGIN(R) mark that consists of a white VIRGIN(R) signature logo against a red background. n13

n13 Richardson Decl., P 4. For examples of the stylized VIRGIN(R) mark, see Richardson Decl., Ex. 4.

-----End Footnotes-----

B. Virgin Petroleum

Virgin Petroleum is a gasoline [*9] station located at 1430 East Pacific Coast Highway in Wilmington, California. n14 Virgin Petroleum's Articles of Incorporation were filed on March 10, 1999. n15 According to Ambartsum Telalyan, a co-owner of the company, it did not intend to copy or infringe upon VEL's trademark. Rather, he states that he and his co-owner selected the Virgin Petroleum name after they saw Virgin Olive Oil on grocery store shelves, and decided that customers would be attracted by the combination of the words

A large red sign at Virgin Petroleum's service station bears the word "Virgin" in cursive script at the top, with posted gasoline prices below. The word "Virgin" also appears on the station's gasoline pumps. The letters are written in white on a red background. n17 Telalyan asserts that in order to avoid litigation, Virgin Petroleum has changed the format of its [*10] logo. n18 A visit to the gasoline station on January 9, 2000, however, revealed that the sign and pumps have not in fact been altered. n19 The proposed new design utilizes block letters and includes the word "petroleum" under the larger word "Virgin." n20 From the exemplar provided by Telalyan, it is not possible to tell what color defendant proposes the sign will be.

n17 Complaint, Ex. 4 (photos of Virgin Petroleum's gas station, sign, and gas pumps).

n18 Telalyan Decl., P 5.

n19 Declaration of Maurice Nelson ("Nelson Decl."), PP 4-5, Ex. 1.

n20 Telalyan Decl., Ex. B.

C. Events Leading To The Filing Of This Action

On or about October 12, 1999, VEL received an e-mail from a person who had seen defendant's service station. The individual stated:

"I was driving down Pacific Coast Highway near Torrence when I saw a Virgin Gas Station. I am quite aware of Virgin's diverse business but was surprised to see a Gasoline representation in their company. But before accepting this new (or unknown) [*11] venture, I noticed a few details. The Virgin logo was not [the] same, it was red, but drawn more crude, as if there were jagged parts along the italic letters. The word seemed [a little] stretched and unproportional, so then I began wondering if the Gas Station was legitimate at all. Like I said, it is not my place to monitor the legality of public business, but I've been fond of Virgin and have read Richard Branson's biography so I'd hate to see somebody else capitalize off of a proven

self-made businessman. Please let me know, though, [for] my own [curiosity], about the knowledge and nature of this Gas Station I encountered. n21

n21 Richardson Decl., P 8, Ex. 5.

On October 19, 1999, VEL sent a letter to defendant protesting its use of the VIRGIN mark, and demanding that defendant immediately cease and desist from employing the VIRGIN name. n22 After receiving no response, VEL's United States counsel sent defendant a second letter on November 5, 1999. The letter again objected to Virgin Petroleum's [*12] use of the VIRGIN mark, and threatened suit if defendant did not cease and desist. n23 When once again no response was received, VEL sent a third letter to defendant on December 2, 1999. This communication advised that VEL intended to file an ex parte application seeking leave to move for a preliminary injunction. n24 On December 3, 1999, VEL's lawyer received a telephone call from a representative of Virgin Petroleum. He advised the caller that suit would be filed on December 6, 1999 unless defendant ceased its use of the trade name VIRGIN. n25 Counsel for Virgin Petroleum faxed the proposed new design for Virgin Petroleum's logo to the lawyer on that day. Because it continued to contain the word VIRGIN, and merely changed the style of the lettering and added the word "Petroleum," n26 VEL filed suit on December 7, 1999 and simultaneously sought preliminary injunctive relief.

n22 *Id.*, P 9, Ex. 6.

n23 Declaration of James W. Dabney ("Dabney Decl."), P 2, Ex. 1.

n24 *Id.*, P 3, Ex. 2.

n25 *Id.*, P 4.

n26 Telalyan Decl., Ex. B.

[*13]

D. Deposition Of Ambartsum Telalyan

Ambartsum Telalyan's deposition was taken on January 8, 2000. Telalyan testified that he had heard of Virgin Airlines before March 1999 when Virgin Petroleum was incorporated. n27 He further testified that he first heard of Virgin Records a few months ago, and admitted that two or three customers have asked whether Virgin Petroleum is associated with Virgin Records as they were writing a check to pay for gasoline. n28

n27 Second Declaration of Brian S. Kim

in Support of Plaintiff's Reply Memorandum in Support of Plaintiff's Motion for Preliminary Injunction ("Second Kim Decl."), Ex. 1 at 5:1-6:3.

n28 *Id.*, Ex. 1 at 7:5-8:4 (stating that "there has been people asking me, you know, 'Oh, this is similar to the Virgin Records'").

II. ANALYSIS

A. Standard For Granting Injunctive Relief

In deciding whether to issue a preliminary injunction, the court must consider (1) the likelihood that the moving party will succeed on the merits; (2) the possibility it will [*14] suffer irreparable injury if relief is not granted; (3) the extent to which the balance of hardships tips in favor of one party or the other; and in certain cases (4) whether the public interest will be advanced by granting preliminary relief. *Miller v. California Pacific Med. Ctr.*, 19 F.3d 449, 456 (9th Cir. 1994). The court may issue a preliminary injunction if the moving party establishes either (1) a combination of probable success on the merits and the possibility of irreparable harm or (2) the existence of serious questions going to the merits, a demonstration that there is at least a fair chance the movant will prevail, and a balance of hardships that tips sharply in the movant's favor. *Id.* "These two formulations represent two points on a sliding scale in which the required degree of irreparable harm increases as the probability of success decreases." *Id.*

B. Likelihood Of Success On The Merits

VEL's complaint pleads claims for trademark and trade name infringement, dilution, unfair competition, and unfair business practices under the Lanham Act, California and common law. In order to prevail on its trademark infringement claim under 15 U.S.C. §§ 1114 [*15] (1) and 1125(a), VEL must prove that it has a protectable trademark and that Virgin Petroleum's use of the same or a similar mark will likely cause confusion in the minds of the relevant consuming public. *Fuddrucker, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 841 (9th Cir. 1987); *First Brands Corp. v. Fred Meyer, Inc.*, 809 F.2d 1378, 1381 (9th Cir.1987); *Committee for Idaho's High Desert v. The Committee for Idaho's High Desert, Inc.*, 881 F. Supp. 1457, 1471 (D.Idaho 1995), modified on other grounds, 92 F.3d 814 (9th Cir. 1996) (citing *Levi Strauss v. Blue Bell, Inc.*, 778 F.2d 1352, 1354 (9th Cir. 1985)).

1. Virgin Enterprises Has Protectable Rights In Its Virgin Trademark

Under 15 U.S.C. § 1115(a), the fact that a party holds a valid federal trademark registration constitutes prima

facie evidence of its ownership of the mark, and of its exclusive right to use the mark in commerce in connection with the goods or services specified in the registration. The PTO has registered the VIRGIN (stylized) mark to VEL for various uses, including "transportation of goods and passengers [*16] by road." n29 The VIRGIN mark has also been registered to VEL in an unstylized form for various uses that again include the "transportation of goods and passengers by road." n30 These registrations constitute prima facie evidence that VEL has protectable rights in the mark. See *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1046-47 (9th Cir. 1999) (in determining the likelihood of success on a motion for preliminary injunction, the court stated that it "first [had to] determine whether Brookfield has a valid, protectable trademark interest in the 'MovieBuff' mark. Brookfield's registration of the mark on the Principal Register in the Patent and Trademark Office constitutes prima facie evidence of the validity of the registered mark and of Brookfield's exclusive right to use the mark on the goods and services specified in the registration"). See also *Maktab Tarighe Oveyssi Shah Maghsoudi, Inc. v. Kianfar*, 179 F.3d 1244, 1249 (9th Cir. 1999) ("This registration constitutes prima facie evidence that Angha owns the marks. . . . It also provides constructive notice of the claimed ownership of the marks").

n29 Richardson Decl., Ex. 3, at 49 (Registration No. 1,852,776).

[*17]

n30 *Id.*, Ex. 3, at 51 (Registration No. 1,851,817).

2. Virgin Enterprises Has Demonstrated That It Will Probably Prove There Is A Likelihood Of Consumer Confusion

While VEL has shown that it has protectable rights in the VIRGIN mark, it must also prove that there is a likelihood consumers will be confused by defendant's mark, and believe that Virgin Petroleum is affiliated, connected or associated with VEL before it can prevail on its trademark infringement claim. "The test for likelihood of confusion is whether a 'reasonably prudent consumer' in the marketplace is likely to be confused as to the origin of the good or service bearing one of the marks." *Dreamwerks Production Group, Inc. v. SKG Studio, dba DreamWorks SKG*, 142 F.3d 1127, 1129 (9th Cir. 1998).

In evaluating whether a likelihood of confusion exists, courts consider the following factors: the strength of the mark; the proximity or relatedness of the services;

the similarity in appearance, sound, and meaning of the marks; evidence of actual confusion; the degree to which the same marketing channels are used; [*18] the type of goods and degree of care customers are likely to exercise in purchasing them; evidence of the defendant's intention in selecting and using the allegedly infringing name; and the likelihood that the parties will expand their product lines. *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979). See also *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.* 782 F.2d 1508, 1509 (9th Cir. 1986); *Transgo, Inc. v. AJAC Transmission Parts Corp.*, 768 F.2d 1001, 1015 (9th Cir. 1985) (facts considered in determining likelihood of confusion are the similarity of the marks, the class of goods in question, the intent of the defendant, and the strength or weakness of the mark).

"These factors should not be rigidly weighed." *Dreamwerks, supra*, 142 F.3d at 1129. Rather, they "are intended to guide the court in assessing the basic question of likelihood of confusion." *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1290 (9th Cir. 1992). The court need not address all of the factors, nor must plaintiff establish that each weighs in its favor in order to establish a likelihood of confusion. [*19] See *C & C Organization v. AGDS, Inc.*, 676 F. Supp. 204, 206 (C.D.Cal. 1987) (citing *Apple Computer, Inc. v. Formula Intern. Inc.*, 725 F.2d 521, 526 (9th Cir. 1984)). Moreover, "some factors are much more important than others, and the relative importance of each individual factor will be case-specific." *Brookfield Communications, supra*, 174 F.3d at 1054. For this reason, the court has assessed the factors roughly in the order of their relative importance in this case.

a. Similarity Of The Marks

"Similarity of the marks is tested on three levels: sight, sound, and meaning." *Sleekcraft, supra*, 599 F.2d at 351. In judging similarity, trademarks should be considered as they are encountered in the marketplace, taking into account the normal circumstances surrounding purchase of the type of services they represent. *Id.*; *Walt Disney Productions v. Air Pirates*, 581 F.2d 751, 759 (9th Cir. 1978).

Here, the parties' marks are strikingly similar in appearance. Both utilize the word "Virgin" printed in white letters against a red background. The thin, cursive typeface used in the marks is also similar. [*20] Finally, both plaintiff and defendant print the word on an upwards slant, with the "V" positioned at a lower point on the left, and the "n" at a higher point on the right.

Because the parties' trade names are the same, their sound is not only similar, but identical. Likewise, the meaning is similar, because identical words are used. Thus, the similarity of the marks strongly favors a finding

n31 Virgin Petroleum contends it has changed the format of its logo. In support of this claim, however, it has submitted only a copy of a fax that displays a "new *proposed* design for Virgin Petroleum." (Telalyan Decl., Ex. B (emphasis added).) A check on January 9, 2000 revealed that the actual signs at defendant's service station have not been changed. (Nelson Decl., PP 4–5, Ex. 1.) The proposed new letters are in a larger, blocked typeface, and "Virgin" is printed in the shape of a wave. Because Telalyan's fax is not in color, it is not possible to determine whether Virgin Petroleum also proposes to change the background color. The proposed design continues to utilize the word "Virgin," and is thus still identical to VEL's mark in sound and meaning. Also, VEL has registered VIRGIN in a plain block-letter format, thereby claiming rights to mark in any format or style. (Richardson Decl., Ex. 3 at 51.) Additionally, "it has often been held that as between a design and the word portion of a trademark, the word portion dominates and is the portion by which goods and/or services are called for." *In re Inspection Technology Inc.*, 223 U.S.P.Q. 46, 47 (TTAB 1984). Virgin Petroleum's proposed new design therefore remains similar to the VIRGIN mark used by VEL. Furthermore, "an infringer, 'once caught,' should have his conduct carefully scrutinized in any future operations so as to determine his intent in going as far as he does. He must 'be required to keep a safe distance away from the margin line.'" *Plough, Inc. v. Kreis Labs.*, 314 F.2d 635, 639 (9th Cir. 1963) (quoting *Broderick & Bascom Rope Co. v. Manoff*, 41 F.2d 353, 354 (6th Cir. 1930)). Accordingly, Virgin Petroleum's professed willingness to alter the format of its mark is not sufficient to prevent the entry of a preliminary injunction in this case.

[*21]

b. The Strength Of VEL's Mark

1. Distinctiveness

"The strength of a given mark rests on its distinctiveness." *Miss World (UK) Ltd. v. Mrs. America Pageants, Inc.*, 856 F.2d 1445, 1448 (9th Cir. 1988). Courts determining the distinctiveness of a mark examine the degree to which the public associates it with a particular source. *Id.* Typically, trademarks are classified in five categories of increasing distinctiveness: (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768, 120 L. Ed.

2d 615, 112 S. Ct. 2753 (1992); *Kendall-Jackson Winery, Ltd. v. Gallo Winery*, 150 F.3d 1042, 1047, n. 7 (9th Cir. 1998).

The fact that the VIRGIN mark is registered is prima facie evidence that it is at least descriptive and has acquired secondary meaning. See *Qualitex Co. v. Jacobson Products Co., Inc.*, 13 F.3d 1297, 1301 (9th Cir. 1994) ("A certificate of registration is prima facie evidence of the validity of the mark and relieves the holder . . . of the burden of proving nonfunctionality and secondary meaning"), rev'd. on other grounds, 514 U.S. 159, 131 L. Ed. 2d 248, 115 S. Ct. 1300 (1995); [*22] *Americana Trading Inc. v. Russ Berrie & Co.*, 966 F.2d 1284, 1287 (9th Cir. 1992) ("Registration carries a presumption of secondary meaning"). Cf. *Miss World*, *supra*, 856 F.2d at 1448 (registration is evidence that a mark is not generic).

Here, however, the record establishes that the VIRGIN mark is more than descriptive — it is arbitrary. n32 "An arbitrary mark, such as Dutch Boy on a can of paint, uses common words in a fictitious and arbitrary manner to create a distinctive mark which identifies the source of the product." *Dreamwerks*, *supra*, 142 F.3d at 1131, n. 7. "Virgin" is in no way descriptive of any of the Virgin Group's various products and services. While the word may conjure up images of purity or newness, this in no way suggests the travel-related services and other businesses in which VEL's affiliates engage under the VIRGIN mark. Because it is arbitrary, the mark is entitled to broad protection. *Id.* at 1131 (finding "Dreamwerks" mark arbitrary for a company that organizes Star Trek conventions and holding that the "mark deserves broad protection" as a result); *Sleekcraft*, *supra*, 599 F.2d at 349 [*23] ("an arbitrary or fanciful mark . . . will be afforded the widest ambit of protection from infringing uses").

n32 It is not fanciful, however. A fanciful mark is a word or phrase that is coined solely for the purpose of functioning as a trademark. See *Dreamwerks*, *supra*, 142 F.3d at 1131 n. 7 ("[a] fanciful mark is a coined word or phrase, such as Kodak, invented solely to function as a trademark," citing *Official Airline Guides, Inc. v. Goss*, 6 F.3d 1385, 1390 (9th Cir. 1993)). The word "Virgin" can be found in the dictionary and has any number of meanings, including "free of impurity or stain." Webster's Third New International Dictionary (4th ed. 1976).

2. Commercial Strength

"Placement on the spectrum of distinctiveness does not end the inquiry as to the strength of a mark: it is only the first step. The second step is to determine

the strength of the mark in the marketplace. That is, its degree of recognition in the minds of the relevant customer class." *Miss World, supra*, 856 F.2d at 1449 [*24] (quoting 1 J. McCarthy, TRADEMARKS AND UNFAIR COMPETITION, § 11:1, p. 434 (2d ed. 1984)). See also *Petro Stopping Centers v. James River Petroleum, Inc.*, 130 F.3d 88, 93 (4th Cir. 1997) ("... the placement of a mark in either the suggestive or descriptive category is merely the first step in assessing the strength of a mark for purposes of likelihood of confusion test. . . . Courts must examine, in addition to the mark's characterization as suggestive or descriptive, the extent of secondary meaning a mark has acquired in the eyes of consumers"); *Fisons Horticulture, Inc. v. Vigoro Industries, Inc.*, 30 F.3d 466, 479 (3d Cir. 1994) ("Distinctiveness on the scale of trademarks is one measure of a mark's strength. . . . Commercial strength, or marketplace recognition of the mark, is another"); *John J. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 975 (11th Cir. 1983) (distinctiveness of mark and extent of third-party use "both . . . should be considered when analyzing the strength of a particular trademark"); *Sun Banks of Florida, Inc. v. Sun Federal Savings & Loan Ass'n.*, 651 F.2d 311 (5th Cir. 1981) (after holding [*25] that plaintiff's mark was arbitrary, the court stated: "The ultimate strength of a mark, [however,] the key inquiry before us, is determined by a number of factors which establish its standing in the marketplace"); 2 J. McCarthy, TRADEMARKS AND UNFAIR COMPETITION, § 11.83, p. 11-141-42 (4th ed. 1999) ("While some courts have made the strong-weak evaluation solely upon the place of a term on the spectrum of marks, such an approach is incomplete. One must in addition look at the marketplace strength of the mark at the time of the litigation or at the time registration is sought").

The Ninth Circuit employs two tests in determining the strength of a mark in the marketplace. Under the first of these — the "imagination test" — a court "asks how much imagination a consumer must use to associate a given mark with the goods or services it identifies. . . . The more imagination required, the stronger the mark is." *Miss World, supra*, 856 F.2d at 1449. Under the second — the "need test" — the court "asks to what extent a mark is actually needed by competitors to identify their goods or services." *Id.* See also *Rodeo Collection, Ltd. v. West Seventh*, 812 F.2d 1215, 1218 (9th Cir. 1987) [*26] (same).

Applying these tests, the court is convinced that the VIRGIN mark is strong. Since the word "Virgin" is in no way descriptive of any of the Virgin Group's goods and services, it would require significant imagination to associate the VIRGIN mark with the products those businesses offer. It also appears beyond question that the VIRGIN

mark is not needed by Virgin Group competitors to identify their services, as the term does not describe or even suggest any particular product or service, including transportation services.

Thus, assessing the distinctiveness of the VIRGIN mark, and applying the "imagination" and "need" tests discussed in *Miss World, supra*, the court concludes for purposes of the present application that VEL's VIRGIN mark is strong. The strength of the mark factor, therefore, favors VEL.

c. Proximity Or Relatedness Of The Parties' Services

"Related goods are those 'products which would be reasonably thought by the buying public to come from the same source if sold under the same mark.'" *Sleekcraft, supra*, 599 F.2d at 348 n.10 (quoting *Standard Brands, Inc. v. Smidler*, 151 F.2d 34, 37 (2d Cir. 1945)); [*27] *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 159 (9th Cir. 1963) ("The use need not be the same as, nor one in competition with the original use. The question is, are the uses related so that they are likely to be connected in the mind of a prospective purchaser?"); see also 4 J. McCarthy, TRADEMARKS AND UNFAIR COMPETITION, § 24.24, p. 24-45 ("goods are 'related' if consumers are likely to mistakenly think that the infringer's goods come from the same source as the senior user's goods or are sponsored or approved by the senior user").

Virgin Petroleum operates a service station. The Virgin Group operates numerous businesses, none of which are service stations. VEL argues that its products and services are related to those offered by Virgin Petroleum because both parties sell branded consumer products to individual retail consumers. This interpretation of "related products" is extremely broad, and VEL proffers it perhaps because of the broad range of products and services the Virgin Group sells under the VIRGIN mark. It is sufficient for present purposes, however, to focus on VEL's involvement in a number of transportation-related businesses. VAA [*28] provides airline services, while Virgin Limousine offers limousine transportation. Other Virgin Group companies provide balloon services, additional aviation services, access to hotel properties, and rail service. n33 Perhaps for this reason, the PTO has registered the Virgin mark to VEL for the "transportation of goods and passengers by road."

n33 Richardson Decl., Ex. 2, at 39.

Given the wide diversity of businesses that operate under the VIRGIN mark, and the number of Virgin Group

companies that offer transportation services, consumers might mistakenly believe that defendant's gasoline station was connected in some fashion to VEL. Aware that VEL offers a diversified range of products and services, and that it has demonstrated a willingness to expand its product lines in the past, and cognizant of the fact that service stations are related to transportation, consumers might well conclude, upon seeing Virgin Petroleum, that VEL had expanded its operations into the petroleum industry. See *Fuji Photo Film Co., Inc. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591 (5th Cir. 1985) [*29] (holding that complementary products are particularly susceptible to confusion when the senior user is diversified); *Armco Inc. v. Armco Burglar Alarm Co., Inc.*, 693 F.2d 1155, 1160 (5th Cir. 1982) ("diversification makes it more likely that a potential customer would associate the non-diversified company's services with the diversified company, even though the two companies do not actually compete"); *Carling Brewing Co. v. Philip Morris Inc.*, 297 F. Supp. 1330, 1337 (N.D. Ga. 1968) (enjoining use of BLACK LABEL for cigarettes where the senior user sold beer under the mark, and noting that "given the general situation where the public is generally unaware of the specific corporate structure of those whose products it buys, but is aware that corporate diversification, mergers, acquisitions and operation through subsidiaries is a fact of life, it is reasonable to believe that the appearance of 'Black Label' on cigarettes could lead to some confusion as to the sponsorship of either or both the cigarettes and the beer"); *R. J. Reynolds Tobacco Co. v. R. Seeling & Hille*, 201 U.S.P.Q. 856, 859 (TTAB 1978) (recognizing "the common practice [*30] which is so prevalent today for large corporations, not only to expand their present line of products, but also to diversify their business to include new fields of endeavor," and refusing registration of "Sir Winston" for teas where "Winston" was already in use in connection with cigarettes).

"It is important to note that the greater the degree of similarity in the marks, the lesser the degree of similarity that is required of the products or services on which they are being used in order to support a holding of likelihood of confusion. . . . If the marks are the same or almost so, it is only necessary that there be a viable relationship between the goods or services in order to support a holding of likelihood of confusion." *In re Concordia International Forwarding Corp.*, 222 U.S.P.Q. 355, 356 (TTAB 1983). See also *In re Whittaker Corp.*, 200 U.S.P.Q. 54, 55 (TTAB 1978) ("inasmuch as the marks . . . involved are identical, the question of likelihood of confusion . . . turns on whether the goods . . . are related in any viable manner and/or they are marketed under conditions and circumstances that enable common purchasers or users to encounter them [*31] in an environment likely to cause

these individuals to ascribe a common origin thereto because of the identity of the marks"). Here, the mark used by Virgin Petroleum is extremely similar, if not identical, to the VIRGIN mark used by Virgin Group companies. The wording is the same, and both marks employ the same background color and stylized script. n34 Thus, although the products offered by plaintiff and defendant are not identical and do not directly compete, they are sufficiently related that a consumer would likely believe Virgin Petroleum's gasoline station was sponsored or approved by VEL.

n34 Virgin Petroleum's proposed new design for its mark still uses the word "virgin," and it is unclear whether the background color will continue to be red. Only the style of the letters is changed.

d. Evidence Of Actual Confusion

Evidence of actual confusion is not necessary to prevail on an infringement claim or to merit injunctive relief. See *Academy of Motion Picture Arts & Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446, 1456 (9th Cir. 1991) [*32] ("actual confusion is not necessary to a finding of likelihood of confusion under the Lanham Act"). However, proof of actual confusion "is persuasive proof that future confusion is likely." *Sleekcraft, supra*, 599 F.2d at 352. See also *World Carpets, Inc. v. Dick Littrell's New World Carpets*, 438 F.2d 482, 489 (5th Cir. 1971) ("there can be no more positive or substantial proof of the likelihood of confusion than proof of actual confusion. Moreover, reason tells us that while very little proof of actual confusion would be necessary to prove the likelihood of confusion, an almost overwhelming amount of proof would be necessary to refute such proof."); *Dominion Bankshares Corp. v. Devon Holding Co., Inc.*, 690 F. Supp. 338, 347 (E.D. Pa. 1988) ("actual confusion is one of the most reliable indications of the likelihood of confusion"); *Jockey Int'l, Inc. v. Burkard*, 1975 U.S. Dist. LEXIS 13697, 185 U.S.P.Q. 201, 207 (S.D. Cal. 1975) ("since reliable evidence of actual confusion is difficult to obtain in trademark infringement cases, any such evidence is substantial evidence that confusion is likely").

Virgin Petroleum's [*33] use of a VIRGIN logo in a format similar to VEL's VIRGIN mark has already led to three or four known incidents of confusion. VEL received an unsolicited e-mail from a potential consumer who believed at first glance that Virgin Petroleum's gasoline station was a VEL business. The person stated that he was "surprised to see a Gasoline representation" in VEL's line. n35 Although the consumer subsequently realized that the service station was not a VEL business, the

Ninth Circuit "recognize[s] a brand of confusion called 'initial interest' confusion, which permits a finding of a likelihood of confusion although the consumer quickly becomes aware of the source's actual identity and no purchase is made as a result of the confusion." *Interstellar Starship Services, Ltd. v. EPIX Inc.*, 184 F.3d 1107, 1110 (9th Cir. 1999).

n35 Richardson Decl., Ex. 5.

Virgin Petroleum has admitted to two or three other incidents of confusion as well. According to Ambartsum Telalyan, two or three customers have asked [*34] him whether Virgin Petroleum is associated with Virgin Records. In each instance, the consumer has cited the similarity of the companies' names as his or her basis for assuming a relationship between the entities of some kind. While Virgin Petroleum has offered to alter its logo, it has not agreed to cease using the name "Virgin," and has not actually modified the sign and pumps at its service station. Thus, evidence of actual confusion weighs in favor of a finding of a likelihood of confusion as well.

e. Virgin Petroleum's Intent In Selecting The Mark

VEL asserts that defendant knew of the VIRGIN(R) mark, and intentionally adopted its trade name and stylized red and white logo in order to capitalize on the goodwill associated with it. Because the mark is well-known and the word "virgin" is arbitrary, VEL contends that Virgin Petroleum must have copied it knowingly and willfully with the intent to confuse consumers. n36 Virgin Petroleum does not claim that it was unaware of the VIRGIN mark, and its logo is quite similar, supporting a finding that it intended to adopt the VIRGIN mark and thereby take advantage of the goodwill associated with it. See, e.g., *Official Airline Guides, Inc. v. Goss*, 6 F.3d 1385, 1394 (9th Cir. 1993) [*35] ("when an alleged infringer knowingly adopts a mark similar to another's, courts will presume an intent to deceive the public"). See also *Daddy's Junky Music Stores, Inc., v. Big Daddy's Family Music Ctr.*, 109 F.3d 275, 286 (6th Cir. 1997) ("the use of a contested mark with knowledge of the protected mark at issue can support a finding of intentional copying"); 4 J. McCarthy, TRADEMARKS AND UNFAIR COMPETITION, § 23:115, p. 23-221 ("if a well-known and strong mark has been used in identical format by a junior user, it appears reasonable to require the junior user to carry the burden of explanation and persuasion as to his motive in adopting the mark").

n36 VEL also contends that defendant's willful intent to confuse consumers is demonstrated by its failure to respond to two cease and desist letters

sent prior to the commencement of litigation. While defendant failed to respond in a timely manner to the letters, it did offer to modify its logo the day before suit was filed. Moreover, "it must be recognized that this [argument] is a legal fiction, for defendant may well have considered that plaintiff's contention was legally wrong and continued use until a court stated otherwise. It is difficult to see how such continued use by defendant could be construed as an intent to deceive except in the case of a very clear and legally unambiguous infringement." 4 J. McCarthy, TRADEMARKS AND UNFAIR COMPETITION, § 23:120, p. 23-226.

[*36]

Virgin Petroleum responds that it never intended to copy the VIRGIN trademark. Instead, it insists that it chose "Virgin" after seeing Virgin Olive Oil on grocery store shelves and deciding that the word "virgin" associated with the word "oil" would attract customers. n37 Additionally, after being notified of its purported infringement, Virgin Petroleum designed a new logo, purportedly demonstrating its good faith. See *Sleekcraft*, *supra*, 599 F.2d at 354 (finding that defendant's good faith could not be questioned where it designed a distinctive logo after being informed of the alleged infringement). While defendant has not put the new logo to use, the evidence regarding its intent to copy VEL's mark is inconclusive on the present record, and the court evaluates this factor as neutral for purposes of the preliminary injunction proceeding.

n37 Telalyan Decl., P 4. Presumably defendant meant that the use of the words "virgin" and "petroleum" would have a similar effect as the word "virgin" used with "oil."

[*37]

f. Type Of Goods And The Degree Of Care Likely To Be Exercised By The Purchaser

Virgin Petroleum's service station is adjacent to a highway. Drivers will see the Virgin sign, and likely have only a few seconds to decide whether to patronize the station or pass by. There will thus be little chance for consumers to exercise care in deciding whether or not to purchase from Virgin Petroleum. Additionally, gasoline is a relatively low cost product and purchasers of such products are generally unlikely to exercise a high degree of care in their decision-making process. See *Dep Corp. v. Opti-Ray, Inc.*, 768 F. Supp. 710, 716 (C.D. Cal. 1991) ("the fact that the goods are not expensive goods, coupled with the fact that the average purchasers are not experts,

leads to the conclusion that the degree of care exercised by the purchasers will likely be low, increasing the likelihood of confusion"); see also 3 J. McCarthy, TRADEMARKS AND UNFAIR COMPETITION, § 23.95, p. 23-188 ("the ordinary prudent purchaser does not give much care or thought to the everyday purchase of relatively inexpensive items"). This factor thus weighs in favor of a finding of likelihood of confusion. [*38]

g. Marketing Channels

VEL contends that it and Virgin Petroleum use identical marketing channels, since the service station caters to the same type of consumers who shop in VIRGIN MEGASTORES(R), fly on VIRGIN(R) airlines, drink VIRGIN(R) cola, purchase VIRGIN(R) records and tapes, and read about VEL companies and their founder, Richard Branson. VEL asserts that these consumers likely drive gasoline-powered cars to reach the airport or go shopping. Taking this reasoning to its logical conclusion, one would have to conclude that any business that sells any product to consumers who drive cars utilizes the same marketing channels as a service station. In like fashion, one would have to find that any company that sells products to people who own homes employs the same marketing channels as a company that offers home mortgages. Such a broad interpretation of marketing channels is not supported by the case law.

Virgin Petroleum offers its gasoline for sale at a retail service station. There is no evidence that VEL sells products at such stations, or that the parties utilize similar advertising methods or channels. The marketing channels used by the parties converge only in the broadest [*39] sense of the word, and this factor does not weigh in favor of a finding of likelihood of confusion.

h. Likelihood Of Expansion Of The Product Lines

Neither party indicated that it has present plans to expand its product line. VEL contends that the parties' operations are already competitive since defendant's business targets consumers who buy services and products from Virgin Group companies. It also contends that its licensee, VAA, likely purchases petroleum from the same sources as Virgin Petroleum. Neither of these contentions, however, indicates that VEL has any plans to expand into retail gasoline sales. Consequently, this factor, while not extremely significant, weighs against a finding of likelihood of confusion.

i. Balancing The Factors

The balance of the *Sleekcraft* factors in this case clearly favors VEL. Most importantly, the parties' marks are extremely similar, and the VIRGIN mark is arbitrary, strong, and entitled to broad protection. VEL, moreover,

has proffered evidence of actual confusion. While the products offered by the parties are not closely related, they are sufficiently related that a consumer might well believe that Virgin Petroleum's service [*40] station was sponsored or approved by VEL. This is especially true given Virgin Petroleum's nearly identical use of the VIRGIN mark, and the diversity of Virgin Group businesses that operate under the VIRGIN mark. Finally, the degree of care exercised by potential customers of defendant's product will be minimal. While the remaining two factors — marketing channels and the likelihood that the parties will expand their product lines — weigh against a finding of likelihood of confusion, they are of minimal importance in this case.

The court is mindful of the fact that this matter is before it on a motion for preliminary injunction, and that VEL's showing at this stage of the proceedings need not be as strong as it will have to be at trial. See *University of Texas v. Camenisch*, 451 U.S. 390, 395, 68 L. Ed. 2d 175, 101 S. Ct. 1830 (1981) ("The purpose of a preliminary injunction is merely to preserve the relative positions of the parties until a trial on the merits can be held. Given this limited purpose, and given the haste that is often necessary if those positions are to be preserved, a preliminary injunction is customarily granted on the basis of procedures that [*41] are less formal and evidence that is less complete than in a trial on the merits. A party is thus not required to prove his case in full at a preliminary injunction hearing"). See also *Sunbeam Products, Inc. v. West Bend Company*, 123 F.3d 246, 254-55 (5th Cir. 1997) (noting the difference between consideration of a preliminary injunction and review of a final judgment). n38 The court finds that VEL has met its burden in this regard, and concludes that it will probably be able to demonstrate a likelihood of consumer confusion at trial.

n38 On the other hand, "a preliminary injunction is an extraordinary and drastic remedy, one that should not be granted unless the movant, by a clear showing, carries the burden of persuasion." 11A Wright, Miller and Kane, FEDERAL PRACTICE AND PROCEDURE, § 2948 (2d ed. 1986).

C. Irreparable Harm

Where a trademark plaintiff has demonstrated that it is likely to succeed on the merits of its claim, irreparable harm is presumed. *Brookfield Communications, supra*, 174 F.3d at 1066; [*42] *Vision Sports, Inc. v. Melville Corp.*, 888 F.2d 609, 612, n. 3 (9th Cir. 1989). As VEL has demonstrated a likelihood of success on the merits, it is entitled to the benefit of this presumption, and preliminary injunctive relief is appropriate to prevent irreparable

injury to VEL.

III. CONCLUSION

For the foregoing reasons, VEL's motion for a preliminary injunction is granted.

DATED: January 19, 2000

MARGARET M. MORROW

UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

VIRGIN ENTERPRISES LIMITED,

Opposer,

v.

KAY GUITAR COMPANY,

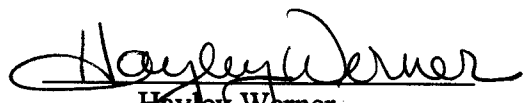
Applicant.

Opposition No. 91154392

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true copy of the foregoing TRIAL BRIEF FOR OPPOSER has been served this 12th day of May, 2004 by First Class Mail, postage prepaid, upon Applicant's counsel at the address designated for that purpose:

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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
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<i>Toro Co. v. ToroHead Inc.</i> , 61 U.S.P.Q.2d 1164 (T.T.A.B. 2001)	25-26

<i>Two Pesos, Inc. v. Taco Cabana, Inc.</i> , 505 U.S. 763, 23 U.S.P.Q.2d 1081 (1992).....	16
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FEDERAL STATUTES

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15 U.S.C. § 1115(b)	15
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INTRODUCTION

Virgin Enterprises Limited (“Opposer”) respectfully submits this trial brief in opposition to the registration of Application No. 78/070,813 (the “Application”) filed June 25, 2001, by Kay Guitar Company, an Indiana corporation (the “Applicant”), for VIRGIN GUITARS (stylized) as a designation for “musical instruments, namely guitars” (the “VIRGIN GUITARS Mark”).

Registration to Applicant should be refused based on a likelihood of confusion with and dilution of Opposer’s world-famous mark VIRGIN®. Opposer is the owner of incontestable registrations for the word VIRGIN® as a trademark for a wide variety of goods and services in the music industry, the same industry in which Applicant intends to use the VIRGIN GUITARS Mark. In July 2003, the Court of Appeals for the Second Circuit held that Opposer’s registered VIRGIN® mark is a “famous, arbitrary, and distinctive mark.” Virgin Enters. Ltd. v. Nawab, 335 F. 3d 141, 146, 67 U.S.P.Q.2d 1420, 1424 (2d Cir. 2003) (copy annexed hereto as Exhibit 1). Moreover, Opposer’s mark is recognized as a famous brand, particularly in the music industry, due to Opposer’s use of the mark VIRGIN® through related companies and licensees in connection with (1) VIRGIN MEGASTORE® retail stores, a chain of approximately 150 retail stores, including 23 stores in the United States, that sell all genres of recorded music and music books, sponsor and present live performances by musical groups and routinely feature promotional giveaways of musical instruments, including guitars; (2) the VIRGIN® record label that is home to major recording artists; (3) RADIO FREE VIRGIN, a service that allows users to access music over the internet; and (4) VIRGIN PULSE, a successful line of personal consumer electronics including compact disc players, MP3 players and headphones. In addition, Opposer relies heavily on music and the entertainment industry to market its VIRGIN MOBILE® cellular

phones and accessories and VIRGIN ATLANTIC® travel services. As such, the public has come to associate use of the mark VIRGIN® exclusively with Opposer, particularly when use of the mark is made in connection with goods and services in the music industry.

In these circumstances, use of the VIRGIN GUITARS Mark as a purported designation for musical instruments, namely guitars, would clearly infringe Opposer's prior and incontestable rights in the VIRGIN® trademark and service mark and dilute the distinctive qualities of such mark. The VIRGIN GUITARS Mark consists predominantly of an identical replica of Opposer's registered, world-famous VIRGIN® mark, below which appears the descriptive and disclaimed term "guitars" displayed in a font less than one-quarter the size of the font used for the term VIRGIN. Applicant's VIRGIN GUITARS Mark is no more registrable than would be SONY GUITARS, POLYGRAM GUITARS, or MCA GUITARS as purported marks for guitars not manufactured or distributed by the famous record labels thus named.

The Application should therefore be refused under 15 U.S.C. §§ 1052(d) and 1063(a).

COURSE OF PROCEEDINGS

The Application was filed June 25, 2001, on the basis of a purported intention to use the VIRGIN GUITARS Mark in U.S. commerce on or in connection with "musical instruments, namely guitars." In response to an Office Action mailed September 4, 2001, Applicant amended the Application to disclaim the term "guitars" apart from the mark in its entirety.

The Application was published for opposition on August 20, 2002. After obtaining three extensions of time to oppose registration of the Application, Opposer commenced this opposition on December 13, 2002, on the basis that the VIRGIN GUITARS

Mark was unregistrable under 15 U.S.C. §§ 1052(d) and 1063(a) in view of Opposer's prior use and incontestable registrations of VIRGIN® as a famous trademark and service mark for goods closely related to those recited in the Application.

In support of its opposition, Opposer has submitted the following into evidence:

1. Trial Testimony of Howard Handler ("Handler Tr.");
2. Opposer's Trial Exhibits 1-8 identified by Mr. Handler ("Opp. Exs. 1-8");
3. Trial Testimony of Mark James ("James Tr.");
4. Opposer's Trial Exhibits 9-12 identified by Mr. James ("Opp. Exs. 9-12");
5. Trial Testimony of Christopher Rossi ("Rossi Tr.");
6. Opposer's Trial Exhibits 13-27 identified by Mr. Rossi ("Opp. Exs. 13-27");
7. Trial Testimony of Andrea Moreno ("Moreno Tr.");
8. Opposer's Trial Exhibits 28-53 identified by Ms. Moreno (Opp. Exs. 28-53);
9. Trial Testimony of Lori Levin-Hyams ("Levin-Hyams Tr.");
10. Opposer's Trial Exhibits 54-56 identified by Ms. Levin-Hyams ("Opp. Exs. 54-56");
11. Notice of Reliance ("Opp. NOR") identifying Opp. NOR Exs. 1-76.

It should be noted Applicant has not introduced any evidence into the record in this case. Applicant has not taken any testimonial depositions nor submitted a Notice of

Reliance. As such, the only evidence the Board may consider in rendering its decision is the evidence submitted by Opposer.¹

STATEMENT OF THE CASE

Opposer and its related companies (collectively, the “Virgin Group”) operate various worldwide businesses under the trade name, trademark, and service mark VIRGIN[®] (Levin-Hyams Tr. 10-13; Moreno Tr. 4; James Tr. 10-11, 14 & Opp. Ex. 12). A description of Virgin Group businesses appears at the web site associated with the Internet address <http://www.virgin.com> (Opp. Ex. 12). The Virgin Group has its roots in music as VIRGIN RECORDS was the first Virgin Group business, but today the businesses are diversified, and while the VIRGIN[®] mark is still extensively used in the music industry, it is also used in connection with a wide variety of goods and services such as air and train travel, alcoholic and non-alcoholic beverages, fitness clubs, freight shipping, balloon flights, bicycles, book publishing and online retail book sales, bridal dresses and accessories, telephony services for small to medium businesses, automobiles, cosmetics, credit cards, travel agency services, home telephone, gas, and electricity services, motorcycle and limousine transportation, wireless telephone service, retail stores offering recorded music and music books, computer games, financial services, personal consumer electronics, clothing, and internet access (Opp. Ex. 12).

Opposer is the owner of thirty-one (31) issued U.S. registrations for VIRGIN[®] and VIRGIN-formative marks (Opp. NOR Exs. 5-32²; U.S. Reg. No. 2818572 (see Opp. NOR

¹ 37 CFR § 2.123(1) states that evidence not obtained or filed in compliance with the evidence rules will not be considered by the Board.

² Please note that Opposer’s Notice of Reliance lists Reg. No. 2,622,510 as Exhibit 21 and Reg. No. 2, 639,079 as Exhibit 23; however the exhibits were switched at filing so the certified copy of Reg. No. 2,622,510 appears as Exhibit 23 and Reg. No. 2,639,079 appears as Exhibit 21.

Ex. 33); U.S. Reg. No. 2,798,130 (see Opp. NOR. Ex. 34) and U.S. Reg. No. 2,808,270 (see Opp. NOR Ex. 43³)), including the following incontestable registrations involving goods and services in the music industry (Opp. NOR Exs. 6-12):

<u>Incontestable Registration</u>	<u>Mark</u>	<u>Goods/Services</u>
1,469,618	VIRGIN	Pre-recorded audio and/or video tapes, cassettes and cartridges; pre-recorded audio and video discs, phonograph records . . .
1,517,801	VIRGIN (stylized)	Pre-recorded audio and/or video tapes, cassettes and cartridges; pre-recorded audio and video discs, phonograph records . . .
1,591,952	VIRGIN (stylized)	Printed sheet music; fictional and non-fictional books, biography and autobiography books, periodicals, namely, paperback books all dealing with music. . . and entertainment.
1,597,386	VIRGIN	Printed sheet music; . . . fictional and non-fictional books, biography and autobiography books, periodicals, namely, pamphlets, brochures, newsletters, journals, paperback books and magazines, all dealing with music.
1,851,817	VIRGIN	Retail store services in the fields of . . . records, audio and video tapes, . . . sheet music . . .
1,852,776	VIRGIN (stylized)	Retail store services in the fields of . . . records, audio and video tapes . . . sheet music . . .
1,863,353	VIRGIN MEGASTORE	Retail department store services.

³ The file histories for these registrations are included as Exhibits 33, 34 and 43 to Opposer's Notice of Reliance; however, at the time the Notice of Reliance was filed, the registrations had not yet issued.

VEL is also the owner of U.S. Reg. No. 2,709,578 for VIRGIN (stylized) as applied to, among other goods and services, “sound records of music in the form of discs and tapes and cassettes; pre-recorded audio or video tapes, cassettes and cartridges featuring music; pre-recorded audio and video discs, phonograph records featuring music; . . . computer software for. . . music products . . .” (Opp. NOR Ex. 29); and U.S. Reg. No. 2,625,455 for VIRGIN covering, among other goods and services, “broadcasting services by radio and over a global computer network communication services via the Internet” (Opp. NOR Ex. 22). Copies of Opposer’s U.S. registrations of VIRGIN and VIRGIN-formative marks appear as Exhibits 5-34 and 43 to Opposer’s Notice of Reliance.

Virgin Group companies have long relied on music to market and promote their diverse goods and services (Levin-Hyams Tr. 16). The first Virgin Group company was VIRGIN RECORDS which began trading in 1970 (Opp. Ex. 13). Drawing on his experiences in the music and record businesses, the founder of VIRGIN RECORDS, Sir Richard Branson, launched VIRGIN ATLANTIC[®] airways, initially as a “rock and roll airline” (Levin-Hyams Tr. 5-6). Music has since played a major role in the advertising of other popular VIRGIN ventures, including in connection with VIRGIN MEGASTORE[®] retail stores, VIRGIN MOBILE[®] wireless phone goods and services, VIRGIN PULSE personal consumer electronics and RADIO FREE VIRGIN internet music services.

**A. Opposer’s Long-Standing Use of VIRGIN[®]
as a Designation for Music and Music-
Related Goods and Services**

The VIRGIN[®] mark “has been employed with world-wide recognition as the mark of an airline and as the mark for megastores selling music recordings and consumer electronic equipment.” Nawab, 335 F. 3d at 149, 67 U.S.P.Q.2d at 1426 (Ex. 1 hereto). In

2000, the Board held that Opposer's VIRGIN[®] mark is "especially strong in connection with music-related goods and services." Virgin Enters. Ltd. v. DeFeis, Opp. No. 108,967 at 13-14 (Oct. 26, 2000) (sustaining opposition against VIRGIN STEELE for, among other goods, "a series of pre-recorded audio and video cassettes, compact disks and records, featuring music," and "entertainment in the nature of a live musical group") (Opp. NOR Ex. 50).

The VIRGIN[®] mark is used to identify a chain of 23 VIRGIN MEGASTORE[®] retail stores in major cities throughout the United States (Moreno Tr. 5), with additional stores throughout the world including in Canada (Moreno Tr. 6) and the United Kingdom (Levin-Hyams Tr. 20). VIRGIN MEGASTORE[®] retail stores sell various VIRGIN[®]-branded goods, including compact discs, DVDs, books, games, personal electronics, cellular phones and accessories therefor. (Moreno Tr. 20; James Tr. 11). VIRGIN MEGASTORE[®] retail stores cater to a "clientele within the age 18 to 25, male, which includes lots of guitar players, musicians" (Moreno Tr. 29).

Besides retailing pre-recorded audio discs and tapes, VIRGIN MEGASTORE[®] retail stores sponsor live in-store performances by artists whose records are being sold in the stores (Moreno Tr. 10). Such in-store performances involve rock bands and different types of acts and frequently involve giveaways, such as autographed guitars from the bands (Moreno Tr. 10, 14, 37-39 & Opp. Exs. 32, 33, 53 (advertisement on VIRGINMEGAMAGAZINE.COM, an internet site related to the VIRGIN MEGASTORE[®] stores, promoting a contest to win a guitar autographed by a rock band)).

VIRGIN MEGASTORE[®] stores also attract a clientele of guitar players by offering a full section dedicated to guitar books, including instructional books, history books and sheet music (Moreno Tr. 22, 26-28 & Opp. Exs. 39, 40). In addition, VIRGIN MEGASTORE[®]

sells guitar magazines, including “Guitar,” “Guitar Player,” “Guitar World,” and “Guitar One” (Moreno Tr. 28-29 & Opp. Exs. 41A-44).

One of the VIRGIN MEGASTORE[®] retail stores in London sells musical instruments and features music lessons, including guitar lessons (Levin-Hyams Tr. 20). Such sales have been successful and Opposer is considering offering musical instruments and lessons at VIRGIN MEGASTORE[®] stores located in the United States as a natural extension of the music-related goods and services currently offered (Levin-Hyams Tr. 20-21).

Opposer’s licensee, VIRGIN RECORDS, is a record company and publisher that features top recording artists (James Tr. 10-11, 17; Moreno Tr. 25 & Opp. Ex. 37). VIRGIN RECORDS is one of five major music distribution companies featuring a record label (Moreno Tr. 25). In 2000, the Board sustained Opposer’s objection to registration of VIRGIN STEELE as a purported designation for a musical band, in part on the basis that “the VIRGIN record label is a highly respected and well-known label, with a roster of famous artists which includes The Rolling Stones, Janet Jackson, David Bowie, Tina Turner and Lenny Kravitz, among others.” DeFeis, at 15 (Opp. NOR Ex. 50).

Opposer also offers internet-based music streaming services which are available around the world, including in the United States, under the mark RADIO FREE VIRGIN (James Tr. 10, 11, 16; Moreno Tr. 5).

The VIRGIN[®] mark is also associated with a line of personal music electronics marketed under the name VIRGIN PULSE (Levin-Hyams Tr. 12 & Opp. Ex. 56; James Tr. 12; Opp. Ex. 12). The line of VIRGIN PULSE products includes compact disc players, MP3 players, clock radios, AM/FM tuners and headphones (Levin-Hyams Tr. 19 & Opp. Ex. 56; James Tr. 12).

VIRGIN PUBLISHING, another Virgin Group company and licensee of Opposer, is one of the world's foremost publishers of music-related books (Opp. Ex. 12). VIRGIN PUBLISHING has published a series of books known as the VIRGIN ENCYCLOPEDIA which details the history of popular music (Moreno Tr. 22-25 & Opp. Ex. 36). The VIRGIN ENCYCLOPEDIA books are sold at VIRGIN MEGASTORE[®] retail stores (Moreno Tr. 23).

As noted above, Opposer also makes extensive use of its VIRGIN[®] mark in association with international air travel services to and from major U.S. cities including New York, Newark, Washington D.C., Boston, Miami, Orlando, San Francisco, Los Angeles and Las Vegas (Rossi Tr. 5; Levin-Hyams Tr. 11). Opposer is the owner of incontestable U.S. Reg. No. 1,413,664 for VIRGIN[®] as applied to "air travel services" (Opp. NOR Ex. 2). VIRGIN ATLANTIC[®] air travel services feature an award-winning in-flight entertainment system featuring up to forty-three audio and video channels with individual screens at every seat including in economy class (Rossi Tr. 27 & Opp. Exs. 13 and 24). Certain VIRGIN ATLANTIC[®] arrival and departure lounges feature "music rooms," sound-proofed sitting rooms equipped with state of the art music systems (Opp. Ex. 13).

Opposer also uses the VIRGIN[®] mark to identify wireless telephone services and related goods and services in the United States (Handler Tr. 13). VIRGIN MOBILE USA specifically targets a youth market, placing advertisements in "youthfully-targeted music-oriented types of magazines," on music television stations, including MTV, MTV2, VH1, and BET, and on rock and roll and hip hop radio stations in as many as thirty-three (33) different markets (Handler Tr. 12-13). VIRGIN MOBILE[®] phone users may download musical content from MTV and VH1, as well as audio clips and "Hit Lists" and "Music Messenger," directly onto their phones and can use their mobile telephones to listen to, vote on, and email hit songs

(Handler Tr. 18 & Opp. Ex. 1). VIRGIN MOBILE® products and accessories are sold through a number of retail partners in the music industry, including Sam Goody, Circuit City, and VIRGIN MEGASTORE® retail stores (Handler Tr. 9 & Opp. Exs. 2, 3, and 5). In addition to selling VIRGIN MOBILE® products and accessories, Sam Goody also sells guitars (Opp. Ex. 3).

Opposer operates a retail website, VIRGINMEGA.COM, which sells all goods that are carried in the VIRGIN MEGASTORE® retail stores, including pre-recorded audio discs and tapes, books, including instructional guitar books, sheet music, magazines, including guitar magazines, VIRGIN PULSE consumer electronic products, and VIRGIN MOBILE® wireless phone products (Moreno Tr. 32-33 & Opp. Ex. 48). VIRGINMEGA.COM website users can enter the word “guitars” into a search engine featured on the site and within two clicks will be brought to a web page that offers guitars for sale (Moreno Tr. 34-35 & Opp. Exs. 49-51).

**B. The Diversity And International Fame Of
The VIRGIN® Brand**

The VIRGIN® mark has acquired worldwide fame based on extensive use and advertising of the mark in connection with a wide variety of goods and services. In 2003, the United States Court of Appeals for the Second Circuit held Opposer’s VIRGIN mark to be a “famous, arbitrary, and distinctive mark.” Nawab, 335 F. 3d at 146, 67 U.S.P.Q.2d at 1424 (Ex. 1 hereto). “The mark had been employed with world-wide recognition as the mark of an airline and as the mark for megastores selling music recordings and consumer electronic equipment.” Id. at 149.

In Virgin Enters. Ltd. v. Virgin Petroleum, Inc., the Court awarded Opposer a preliminary injunction against a third party that had used the VIRGIN brand name to identify a gasoline station in California. In granting this relief, the Court held “the VIRGIN mark is

arbitrary, strong, and entitled to broad protection” (Virgin Petroleum, No. CV 99-12826, 2000 U.S. Dist. LEXIS 8100, at *39 (C.D. Cal. Jan. 19, 2000) (copy annexed hereto as Exhibit 2)), noting:

[T]he VIRGIN[®] mark is used extensively, and has been recognized as a famous brand. In 1992, for example, Interbrand identified VIRGIN[®] as one of the ‘world’s greatest brands’ stating that the ‘Virgin Brand is now established as a broadly based entertainment and travel brand with a dependable but nonetheless somewhat ‘fun’ and irreverent image.’ In 1995, the publication, Advertising Age, identified the mark as one of ‘twenty-five rising international brands’ (Virgin Petroleum, 2000 U.S. Dist. LEXIS 8100, at *8) (Ex. 2 hereto).

As a famous and arbitrary mark protected by numerous U.S. trademark registrations, including several incontestable registrations, Opposer’s VIRGIN[®] mark is entitled to a broad scope of protection. Opposer has expended considerable resources in promoting its VIRGIN[®]-branded goods and services using commercials and appearances on popular television stations and cable networks, radio broadcasting, print ads in widely disseminated magazines, newspapers and circulars, and through the organization of special promotional events. The annual marketing budget allocated just for the VIRGIN ATLANTIC[®] services ranges from six to eight million dollars (\$6,000,000 - \$8,000,000) annually, eighty to ninety percent (80%- 90%) of which comprises the companies’ advertising budget (Rossi Tr. 10).

Since at least as early as the 1990s, television ads, at times featuring famous personalities such as Tracey Ullman and Spalding Gray, have been broadcast on popular networks including NBC, CNN, CNBC and MTV, promoting VIRGIN[®] goods and services (Rossi Tr. 20-21; Handler Tr. 8). VIRGIN[®] goods and services have also been promoted through appearances on such television shows as The Today Show, Charlie Rose, and ABC News (Rossi Tr. 20-21; Levin-Hyams Tr. 19) and through radio advertising in thirty-three (33) major markets (Handler Tr. 13). The record indicates that at least as early as 1996, VIRGIN[®]

services were advertised in major business publications such as Forbes, Fortune, and the Economist (Rossi Tr. 16-17) and VIRGIN® products are still advertised in well-known magazines such as Rolling Stone and Teen People (Handler Tr. 12; Opp. NOR Exs. 69-76). Virgin Group companies place advertisements in a number of daily periodicals throughout the country as well, including USA Today, the New York Times, the Wall Street Journal, the Boston Globe, the Miami Herald, and the Washington Post (Rossi Tr. 18-19 & Opp. Ex. 23). Since at least as early as 1999, Virgin Group companies have also promoted VIRGIN® services by direct mailings to consumers listed in the American Express database (Rossi 23 & Opp. Exs. 24-27), and advertised VIRGIN® goods in circulars distributed by its retail partners including Best Buy, Target, Sam Goody and Circuit City (Handler Tr. 15 & Opp. Exs. 4-6).

The openings of VIRGIN MEGASTORE® retail stores are marked by “rather sensational publicity stunt[s]” including “big parties with super stars and major artists in the music industry” (Levin-Hyams Tr. 9). The recognition and popularity of the VIRGIN MEGASTORE® retail stores is evidenced by the fact that, on average, between 70,000 and 90,000 potential consumers visit one of the stores each week (Moreno Tr. 18).

Opposer has undertaken, and continues to undertake, considerable efforts to police the unauthorized and infringing use of the VIRGIN® mark by third parties (James. Tr. 9 & Opp. Exs. 9-10). As of October 23, 2003, at least nine other opposition and cancellation proceedings brought by Opposer based on infringement of the VIRGIN® mark were pending at the Trademark Trial and Appeal Board (Opp. Ex. 10). Opposer has successfully opposed registration of VIRGIN and VIRGIN-formative marks by third parties in numerous cases before this Board involving such diverse goods and services as musical groups, pre-recorded music, wigs, dairy products, soap, films, and shampoo (Opp. NOR Exs. 44-68).

Since November 1996, Opposer has been awarded at least twenty-five (25) favorable judgments in TTAB proceedings against marks incorporating the term VIRGIN (Opp. Ex. 10; Opp. NOR Exs. 44-68). In one such decision, the Board sustained the opposition on the grounds of likelihood of confusion with Opposer's VIRGIN mark to VIRGIN STEELE for, inter alia, "a series of pre-recorded audio and video cassettes, compact disks and records, featuring music" and "entertainment in the nature of a live musical group" finding "[O]pposer's mark is especially strong in connection with music-related goods and services." DeFeis, at 15 (Opp. NOR Ex. 50).

Between December 2, 1997 and October 23, 2003, thirty-two (32) federal U.S. litigations brought by Opposer to protect its VIRGIN mark were resolved through Court judgments favoring Opposer or through settlement agreements (Opp. Ex. 9). Opposer obtained injunctions in at least six of these litigations, and default orders issued against approximately thirty-four defendants (Id.). Among these actions are Nawab, in which the Court of Appeals for the Second Circuit ruled that Opposer was entitled to a preliminary injunction against use of its famous mark VIRGIN in connection with the retail sale of wireless telephones and related products (Ex. 1 hereto), and Virgin Petroleum, in which Opposer was awarded a preliminary injunction against defendant's infringing use of the mark VIRGIN in connection with a gasoline station (Ex. 2 hereto).

As the record illustrates, Opposer has expended considerable efforts and resources to popularize its VIRGIN[®] mark and safeguard the mark from infringement, and numerous courts have acknowledged the strength of Opposer's VIRGIN[®] mark and its extensive rights therein. Opposer respectfully submits that, consistent with these previous decisions, the Board should recognize that Applicant's registration and use of VIRGIN GUITARS would

infringe and dilute Opposer's extensive rights in its famous VIRGIN[®] mark and refuse registration of the Application.

ARGUMENT

I. THE VIRGIN GUITARS MARK IS UNREGISTRABLE UNDER 15 U.S.C. § 1052(d)

The VIRGIN GUITARS Mark is unregistrable under 15 U.S.C. § 1052(d).

Opposer is the undisputed owner of seven incontestable U.S. registrations for marks consisting solely or primarily of the mark VIRGIN[®] for music-related goods and services (Opp. NOR Exs. 6-12), which constitute conclusive evidence of the validity of Opposer's VIRGIN[®] mark, Opposer's ownership and registration of that mark, and Opposer's exclusive rights to use the VIRGIN[®] mark in connection with the goods and services covered by those registrations. 15 U.S.C. § 1115(b). As noted above, the goods and services covered by Opposer's incontestable registrations and its two other registrations for its VIRGIN[®] mark in connection with music-related goods and services include "pre-recorded audio and/or video tapes, cassettes and cartridges;" "phonograph records;" "printed sheet music;" "fictional and non-fictional books, biography and autobiography books, periodicals, namely, paperback books all dealing with music;" and "retail store services in the fields of . . . records, audio and video tapes, . . . sheet music," all of which are closely related to the goods recited in the Application being opposed, specifically "musical instruments, namely guitars."

The record additionally shows that Opposer and its licensees use VIRGIN as a trade name for diverse worldwide businesses and as a trademark and service mark for an extraordinarily diverse range of goods and services, extending beyond music to airships and balloon flights, carbonated soft drinks, cosmetics, radio broadcasting, book publishing, and air travel services (Opp. Ex. 12).

15 U.S.C. §1052(d) provides that a mark “shall be refused registration” if the mark “[c]onsists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake or to deceive”

In evaluating likelihood of confusion, the Board should consider the relevant factors set forth in In re E.I. DuPont DeNemours & Co., 476 F.2d 1357, 1361, 177 U.S.P.Q. 563, 567 (C.C.P.A. 1973). Any doubt as to whether a likelihood of confusion exists should be resolved against a junior user in favor of the senior user. San Fernando Elec. Mfg. Co. v. JFD Elec. Components Corp., 565 F.2d 683, 684, 196 U.S.P.Q. 1, 2 (C.C.P.A. 1977) (“It is too well settled as an axiom of trademark law to require citation of precedent than on the statutory issue [of likelihood of confusion under §2(d)] doubts are to be resolved against the newcomer and in favor of the prior user”). See also Lone Star Mfg. Co. v. Bill Beasley, Inc., 498 F.2d 906, 909, 182 U.S.P.Q. 368, 370 (C.C.P.A. 1974); Bulova Watch Co. v. Waltham Watch Co., 408 F.2d 1062, 1064, 161 U.S.P.Q. 286, 287-88 (C.C.P.A. 1969). This rule applies “especially where the established mark is one which is famous.” Nina Ricci, S.A.R.L. v. ETF Enters. Inc., 889 F.2d 1070, 1074, 12 U.S.P.Q.2d 1901, 1904 (Fed. Cir. 1989) (citation omitted).

**A. Opposer’s VIRGIN® Mark Is Arbitrary,
Strong and Internationally Famous**

The word “virgin” is wholly arbitrary as applied to the goods and services sold by Virgin Group companies and thus is “inherently distinctive” and “entitled to protection” from its first use. Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 768, 23 U.S.P.Q.2d 1081, 1083 (1992); Dreamwerks Prod., Group, Inc. v. SKG Studio, 142 F.3d 1127, 1130 n.7, 46 U.S.P.Q.2d

1561, 1564 (9th Cir. 1998). The Second Circuit concluded that Opposer's VIRGIN® mark is "famous, arbitrary, [and] distinctive." Nawab, 335 F. 3d at 146, 67 U.S.P.Q.2d at 1424 (Ex. 1 hereto). In Virgin Petroleum, the court held that "the VIRGIN mark is arbitrary, strong, and entitled to broad protection" and "has been recognized as a famous brand." Virgin Petroleum, 2000 U.S. Dist. LEXIS 8100, at *8 (Ex. 2 hereto). In DeFeis, the Board held that "Opposer's VIRGIN mark is a strong mark which is entitled to a relatively broad latitude of protection," "an arbitrary term as applied to opposer's goods and services," and "especially strong in connection with music-related goods and services." DeFeis, at 13-14 (Opp. NOR Ex. 50). This conclusion is fully consistent with the record of this case, which reflects that Opposer's VIRGIN® name and mark are particularly well recognized and famous in connection with the music and record industries (Levin-Hyams Tr. 16, 19-20).

The VIRGIN RECORDS label is home to such internationally renowned rock stars as The Rolling Stones, Janet Jackson, David Bowie, Tina Turner, and Lenny Kravitz. DeFeis, at 15 (Opp. NOR Ex. 50). VIRGIN MEGASTORE® retail stores are world-renowned retailers of records and related goods (Moreno Tr. 20; James Tr. 11). VIRGIN PUBLISHING is one of the world's leading publishers of music-related literature (Opp. NOR Ex. 12).

Further, the strength of Opposer's rights is enhanced by its ownership of thirty-one (31) U.S. registrations of the VIRGIN® and VIRGIN-formative marks for a wide variety of goods and services (Opp. NOR Exs. 5-34, 43; U.S. Reg. Nos. 2,237,092, 2,625,455, and 2,808,270). "[R]egistered trademarks are presumed to be distinctive and should be afforded the utmost protection." Lois Sportswear U.S.A., Inc. v. Levi Strauss & Co., 799 F.2d 867, 871, 230 U.S.P.Q. 831, 834 (2d Cir. 1986).

In addition to being the dominant part of numerous Virgin Group company names, the VIRGIN[®] mark appears on virtually every product and in connection with virtually every service the Virgin Group companies sell, offer and promote (James Tr. 14 & Opp. Ex. 12). The VIRGIN[®] mark derives additional strength from the fact that VIRGIN is also Opposer's corporate name. See Sweetarts v. Sunline, Inc., 380 F.2d 923, 927, 154 U.S.P.Q. 459, 462 (8th Cir. 1967). Famous marks such as VIRGIN[®] “cas[t] a long shadow which competitors must avoid.” Specialty Brands, Inc. v. Coffee Bean Distribs., Inc., 748 F.2d 669, 675, 223 U.S.P.Q. 1281 (Fed. Cir. 1984) (citation omitted); see also Kenner Parker Toys, Inc. v. Rose Art Indus., Inc., 963 F.2d 350, 352, 22 U.S.P.Q.2d 1453, 1456 (Fed. Cir.), cert. denied, 506 U.S. 862 (1992). Applicant in this case clearly has not done so.

B. The VIRGIN GUITARS Mark Is Deceptively Similar to Opposer's VIRGIN[®] and VIRGIN-Formative Marks

Applicant's VIRGIN GUITARS Mark is deceptively similar to Opposer's VIRGIN[®] and VIRGIN-formative marks. The distinctive portion of Applicant's mark, namely VIRGIN, is identical to Opposer's VIRGIN[®] mark in sight, sound, and meaning. The appendage “guitars” is merely descriptive, and has been disclaimed in the Application. When a composite mark incorporates an entire arbitrary mark of another for closely related goods, the addition of a descriptive term generally is insufficient to avoid a finding of likelihood of confusion as to source. In re Jacques Bernier, Inc., 883 F.2d 1026, 12 U.S.P.Q.2d 1160 (Fed. Cir. 1989); Wella Corp. v. California Concept Corp., 558 F.2d 1019, 1022, 194 U.S.P.Q. 419, 422 (C.C.P.A. 1977) (“When one incorporates the entire arbitrary mark of another into a composite mark, inclusion in the composite mark of a significant, nonsuggestive element will not necessarily preclude a likelihood of confusion. And inclusion of a merely suggestive or descriptive element,

of course, is of much less significance in avoiding a likelihood of confusion.” (internal citations omitted)); In re Westpoint-Pepperell, Inc., 468 F.2d 200, 175 U.S.P.Q. 558 (C.C.P.A. 1972).

The VIRGIN GUITARS Mark is no more available for registration by Applicant than would be the marks SONY GUITARS, POLYGRAM GUITARS, or MCA GUITARS.

Further, the family of VIRGIN marks owned by Opposer includes a wide variety of marks comprising “VIRGIN” in combination with a descriptive or suggestive term. Such marks include VIRGIN ATLANTIC AIRWAYS, VIRGIN BIKES, VIRGIN BOOKS, VIRGIN BRIDES, VIRGIN CARS, VIRGIN DRINKS, VIRGIN HOLIDAYS, VIRGIN LIMOUSINES, VIRGIN MEGASTORE®, VIRGIN MOBILE, VIRGIN PUBLISHING, VIRGIN RECORDS, VIRGIN TRAINS, VIRGIN VACATIONS®, and VIRGIN VODKA®. Because it begins with “VIRGIN” and ends with a descriptive term, Applicant’s mark comprises the exact same elements as numerous marks in Opposer’s family of VIRGIN-formative marks. That the VIRGIN GUITARS Mark is used in connection with music-related goods, namely, musical instruments, only reinforces the deceptive quality of that mark and increases the likelihood that consumers mistakenly will believe that Applicant and its goods and services are sponsored by or are otherwise affiliated with the Virgin Group.

C. Opposer’s Registrations Cover Closely Related Goods as Are Claimed in the Application

The Application covers “musical instruments, namely guitars.” These goods are so closely related to goods and services covered by Opposer’s incontestable registrations of VIRGIN® and VIRGIN®-formative marks that consumers are likely to think that Applicant’s goods emanate from or are sponsored by Opposer. “Thus, even if the goods in question are different from, and thus not related to, one another in kind, the same goods can be related in the

mind of the consuming public as to the origin of the goods. It is this sense of relatedness that matters in the likelihood of confusion analysis.” Recot, Inc. v. Becton, 214 F.3d 1322, 1329, 54 U.S.P.Q.2d 1894, 1898 (Fed. Cir. 2000).

Opposer’s incontestable U.S. registrations of VIRGIN include Reg. Nos. 1,469,618 and 1,517,801 for, inter alia, “pre-recorded audio and/or video tapes, cassettes and cartridges; pre-recorded audio and video discs, phonograph records” (Opp. NOR Exs. 6-7); Reg. Nos. 1,597,386 and 1,591,952 for, inter alia, “printed sheet music;. . . fictional and non-fictional books, biography and audio biography books, periodicals, namely, pamphlets, brochures, newsletters, journals, paperback books and magazines, all dealing with music” (Opp. NOR Exs. 8-9); and Reg. Nos. 1,851,817 and 1,852,776 for, inter alia, “retail store services in the fields of . . . records, audio and video tapes, audio and video recorders . . . sheet music” (Opp. NOR Exs. 10-11).

In addition, Opposer owns Reg. no. 2,709,578 for VIRGIN (stylized) as applied to, inter alia, “sound records of music in the form of discs and tapes and cassettes; pre-recorded audio or video tapes, cassettes and cartridges featuring music; pre-recorded audio and video discs, phonograph records featuring music; . . . computer software for . . . music products . . .” (Opp. NOR Ex. 29); and U.S. Reg. No. 2,625,455 for VIRGIN covering, among other goods and services, “broadcasting services by radio and over a global computer network communication services via the Internet” (Opp. NOR Ex. 22).

The goods recited in the Application, namely guitars, are clearly related to the above-referenced music-themed goods covered by Opposer’s U.S. registrations for VIRGIN. As the Second Circuit has stated, “the closer the secondary user’s goods are to those the consumer has seen marketed under the prior user’s brand, the more likely that the consumer will

mistakenly assume a common source.” Nawab, 335 F.3d at 150, 67 U.S.P.Q.2d at 1427 (Ex. 1 hereto). Just as the Nawab court found that “the proximity in commerce of telephones to CD players substantially advanced the risk that consumer confusion would occur when both were sold by different merchants under the same trade name, VIRGIN,” id., the proximity of guitars to all of the aforementioned music-themed goods would also advance the risk of consumer confusion. Since the nature of the parties’ use of the mark VIRGIN is so closely similar, public confusion is clearly likely to result.

D. The Parties’ Goods Utilize Similar Trade Channels Targeted at the Same Consumer Purchasers

Applicant’s goods, “musical instruments, namely guitars” will presumably be marketed in stores offering musical instruments to guitar players. In re Elbaum, 211 U.S.P.Q. 639, 640 (T.T.A.B. 1981) (where an application does not specify limitations as to trade channels or purchasers, there is a presumption that goods will be marketed in the customary trade channels and purchased by all potential customers). Opposer’s goods and services are also targeted at consumers interested in music.

Stores that sell Applicant’s goods, guitars, are also likely to sell goods covered by Opposer’s registered trademarks, particularly sheet music (Opp NOR Exs. 8-11). In addition, these stores may also offer for sale other products covered by Opposer’s registrations, such as computer software for music products, or may sell VIRGIN PULSE consumer electronic products, VIRGIN PUBLISHING music books, or even VIRGIN MOBILE® products. For example, as the record indicates, Sam Goody sells VIRGIN MOBILE® products and accessories as well as guitars (Handler Tr. 9 & Opp. Ex. 3). In addition, with only two clicks of the mouse, a

potential consumer of VIRGIN[®] products using the VIRGINMEGA.COM website can purchase a guitar (Moreno Tr. 34-35 & Opp. Exs. 49-51).

It has been established that the Virgin Group companies actually target VIRGIN[®] goods and services to guitar players, the exact consumer group targeted by Applicant. The record contains the testimony of Andrea Moreno, Senior Field Marketing Manager of Virgin Entertainment Group, one of the Virgin Group companies, that VIRGIN MEGASTORE[®] retail stores cater to a clientele that includes “lots of guitar players” (Moreno Tr. 29). The stores attract guitar players by offering a full section of guitar books, including instruction books, history books and sheet music, as well as guitar magazines such as “Guitar,” “Guitar Player,” “Guitar World” and “Guitar One” (Moreno Tr. 28-29 & Opp. Exs. 41A-44). In addition, VIRGIN MEGASTORE[®] retail stores throughout the country routinely giveaway guitars (Moreno Tr. 14, 37-39).

The foregoing facts demonstrate that the goods and services marketed under Opposer’s VIRGIN[®] mark will be available in the same trade channels to the same consumers as Applicant’s VIRGIN GUITARS products. Elbaum, 211 U.S.P.Q. at 640 (“If these purchasers were to encounter the products under the same or similar marks, it would not be unreasonable for them to assume, mistakenly, that they originate from the same source.”).

**E. Opposer’s VIRGIN[®] Mark Is Used as a
“Family” Mark on and in Connection With
Diverse Goods and Services**

In addition to incorporating the VIRGIN name into the trading names of its numerous companies, Virgin Group has created a family of marks which consists of or incorporates its famous VIRGIN[®] mark, including, but not limited to, VIRGIN ATLANTIC AIRWAYS, VIRGIN ATLANTIC VACATIONS, VIRGIN BALLOON FLIGHTS, VIRGIN

BIKES, VIRGIN BOOKS, VIRGIN BRIDES, VIRGIN CARS, VIRGIN CARGO, VIRGIN COSMETICS, VIRGIN DRINKS, VIRGIN HOLIDAYS®, VIRGIN LIMOUSINES, VIRGIN MEGASTORE®, VIRGIN MOBILE®, VIRGIN PUBLISHING, VIRGIN RECORDS, VIRGIN TRAINS, VIRGIN VACATIONS®, VIRGIN VIE® and VIRGIN VODKA® (Opp. Ex. 12; Opp. NOR Exs. 5-43).

The record shows that the VIRGIN® mark is not merely used on a single product line, but on a vast variety of product lines and in connection with the promotion of numerous services. The VIRGIN GUITARS products are closely related to the products that are sold by Virgin Group companies in the United States and are, in fact, the exact product that the VIRGIN MEGASTORE® retail stores routinely giveaway as promotional items (Moreno Tr. 14, 37-39) Guitars are also sold in the London VIRGIN MEGASTORE® retail store (Levin-Hyams Tr. 20-21).

As set forth above, the distinctive portion of the Opposed Mark, namely VIRGIN, is identical to Opposer's VIRGIN® mark, with the only difference being the addition of the descriptive and disclaimed term "GUITARS." Consumers coming into contact with products and services under the Opposed Mark are likely to believe that Virgin Group adopted another VIRGIN-formative mark, the Opposed Mark, for use in connection with products and services in connection with the music industry. Miles Labs. Inc. v. Naturally Vitamin Supplements, Inc., 1 U.S.P.Q.2d 1445, 1451 (T.T.A.B. 1986) (likelihood of confusion is greater where consumers familiar with senior user's mark might reasonably believe that it had expanded its existing product line under the new mark). Here, confusion is particularly likely to occur since the Opposed VIRGIN GUITARS Mark is drawn to an area where the VIRGIN® name is especially well known and famous.

Given the fame of Virgin Group's VIRGIN[®] mark and its family of VIRGIN[®] marks, a consumer coming into contact with the VIRGIN GUITARS Mark, which merely includes the addition of a descriptive and disclaimed term, would likely assume that it was part of such family of marks and, therefore, that such products and services were offered or sponsored by the Virgin Group.

F. Opposer Has Extensive Rights to Exclude Others from Use of the VIRGIN[®] Mark, and Has Successfully Asserted Those Rights

As a famous and arbitrary mark covered by numerous U.S. trademark registrations, including several incontestable registrations, Opposer's VIRGIN[®] mark is entitled to a broad scope of protection. Opposer has undertaken, and continues to undertake, considerable efforts to police the unauthorized and infringing use of the VIRGIN[®] mark by third parties. The Board and courts have enforced the VIRGIN[®] mark against a wide variety of goods and services, including cosmetics, chocolates, wigs, petroleum, telecommunications networks and services, and film and television production and direction (Opp. NOR Exs. 44-68).

As of October 23, 2003, at least nine proceedings brought by Opposer were pending before the Board based on infringement of the VIRGIN[®] mark (Opp. Ex. 10). Since November 1996, Opposer has been awarded at least twenty-five (25) favorable judgments in Board proceedings against marks incorporating the term VIRGIN (Opp. Ex. 10; Opp NOR Exs. 44-68). Among those judgments is DeFeis, in which Opposer successfully opposed VIRGIN STEELE for, inter alia, "a series of pre-recorded audio and video cassettes, compact discs and records, featuring music" and "entertainment in the nature of a live musical group" on the grounds that the use of VIRGIN STEELE in connection with music-related goods and services was likely to cause public confusion. DeFeis, at 20 (Opp. NOR Ex. 50).

As the record illustrates, Opposer has expended considerable efforts and resources to safeguard its VIRGIN[®] mark from infringement, and, significantly, there is no evidence in the record of any third-party use of VIRGIN in connection with any goods or services. Numerous courts have acknowledged the strength of Opposer's VIRGIN[®] mark and its extensive rights therein. Opposer respectfully submits that, consistent with these previous decisions, the Board should recognize that Applicant's registration and use of VIRGIN GUITARS would infringe Opposer's extensive rights in its famous VIRGIN[®] mark and refuse registration of the Application.

II. **THE VIRGIN GUITARS MARK IS
UNREGISTRABLE UNDER 15 U.S.C. § 1063(a)**

The VIRGIN GUITARS Mark is unregistrable under 15 U.S.C. § 1063(a) by virtue of violation of 15 U.S.C. § 1125(c), as the VIRGIN GUITARS Mark is likely to dilute Opposer's world-famous mark VIRGIN[®] mark.

As the owner of the famous and distinctive mark VIRGIN[®], Opposer will prevail in this opposition upon a showing that the VIRGIN GUITARS Mark is likely to cause dilution. The Nasdaq Stock Market, Inc. v. Antartica, S.R.L., 69 U.S.P.Q.2d 1718, 1734 (T.T.A.B. 2003); Toro Co. v. ToroHead Inc., 61 U.S.P.Q.2d 1164, 1174 (T.T.A.B. 2001).⁴ In order to prevail on a dilution claim in an opposition proceeding involving an intent-to-use application, Opposer must show (1) its mark is distinctive; (ii) its mark is famous; (iii) its mark had become famous prior to the filing date of the opposed application; and (iv) the capacity of Opposer's mark to identify its goods and services is likely to be lessened by the opposed mark. Toro, 61 U.S.P.Q. at 1173. An analysis of the Toro factors leads to the conclusion that the VIRGIN GUITARS Mark, if registered, would dilute the distinctive quality of Opposer's world-famous VIRGIN[®] mark.

⁴ As a preliminary matter, the Supreme Court's decision in Moseley v. Victoria's Secret, 537 U.S. 418, 65 U.S.P.Q.2d 1801 (2003) holding that in a civil action under the Federal Trademark Dilution Act (15 U.S.C. 1125(c)) a plaintiff must prove actual dilution, rather than a likelihood of dilution, is not applicable to inter partes proceedings before the Trademark Trial and Appeal Board. Nasdaq, 69 U.S.P.Q.2d at 1734.

A. Opposer's VIRGIN® Mark is Distinctive and Famous and has been Distinctive and Famous Since Long Prior to the Filing Date of the Application

As discussed above, Opposer's VIRGIN® mark is famous and distinctive. Nawab, 335 F.3d at 146, 67 U.S.P.Q.2d at 1424 (Ex. 1 hereto). This is true regardless of whether the analysis is made under a likelihood of confusion standard, as in Nawab, or under a dilution standard. The Federal Trademark Dilution Act sets out eight non-exclusive factors which may be considered in order to determine whether a mark is distinctive and famous. 15 U.S.C. § 1125(c); Toro, 61 U.S.P.Q. at 1175-76. These factors include the degree of inherent or acquired distinctiveness of the mark, the duration and extent of the use and advertising of the mark, the geographical extent of the trading area in which the mark is used, the degree of recognition of the mark in the trading areas and channels of trade used by the mark's owner and the alleged infringer, the nature and extent of use of similar marks by third parties, and whether the mark is registered. Id.

As established herein, Opposer's VIRGIN® mark is the subject of numerous incontestable registrations, inherently distinctive, well recognized as distinguishing a wide variety of goods and services with which it has been used worldwide since 1970, is well-known particularly in the music industry, and has been extensively advertised. In addition, the VIRGIN® mark has been successfully asserted against a large number of third-party applications and uses, and there is no evidence in the record of any use by third parties of VIRGIN marks in connection with any goods or services.

As the record reflects, and amply described above, the Virgin Group has used and promoted its famous VIRGIN® mark since long prior to June 25, 2001, the filing date of the

Application. Given the long and extensive history of use of the VIRGIN[®] mark, the mark had achieved the “very widespread recognition” sufficient to make the mark “famous” prior to the date on which Applicant filed the VIRGIN GUITARS Mark application. Nasdaq, 69 U.S.P.Q.2d at 1737. The fame of the VIRGIN[®] mark is particularly apparent in the music industry due in part to use of the mark in connection with VIRGIN RECORDS and the VIRGIN MEGASTORE[®] retail stores.

B. The Capacity of the VIRGIN[®] Mark to Identify Goods and Services Will be Lessened by the VIRGIN GUITARS Mark

Dilution of a famous and distinctive mark is established where the capacity of Opposer’s mark to distinguish its goods and services would be likely to be lessened by the opposed mark. 15 U.S.C. § 1127; Nasdaq, 69 U.S.P.Q.2d at 1737. Dilution, therefore, is present where (1) the marks are similar; (2) Opposer is well known; and (3) “target customers are likely to associate two different products with the mark even if they are not confused as to the different origins of these products.” Id.

The first two factors are clearly met. The opposed VIRGIN GUITARS Mark replicates Opposer’s VIRGIN[®] mark in its entirety, and the similarity is not lessened by the addition of the descriptive and disclaimed term “guitars.” In addition, the record establishes the worldwide renown of Opposer and the Virgin Group companies.

Finally, prospective purchasers of Applicant’s VIRGIN GUITARS goods would “wonder why another party could use a mark that they thought would have identified a unique, singular, or particular source.” Nasdaq, 69 U.S.P.Q.2d at 1737. As potential consumers of Applicant’s goods are likely to be reminded of Opposer’s famous VIRGIN[®] mark upon seeing

the VIRGIN GUITARS Mark, dilution will result from the use and registration of the opposed mark. Id.

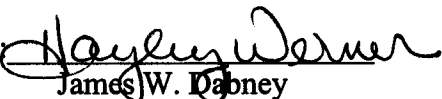
CONCLUSION

For the reasons set forth above, judgment should be entered in favor of Opposer, and registration to Applicant should be refused.

Dated: May 12, 2004

Respectfully submitted,

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